

# CAP Reform 2014–20: EU Agreement and Implementation in the UK and in Ireland

(updated)

RalSe paper 702-14 *30 October 2014*





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The Common Agricultural Policy (CAP) reform package for 2014-2020 has been finalised and Member States are using 2014 as a transitional year as they prepare to introduce new Basic Payment Schemes and new Rural Development Programmes.

This paper updates the November 2013 version which was prepared whilst many issues were still the subject of consultation. It sets out the main implementation decisions of the four countries of the UK, and also of neighbouring Member State Ireland, in relation to the new reform package. The new agreement allows Member States and their devolved administrations a great deal of flexibility regarding how they implement the provisions. This allows them to tailor a CAP package to suit their particular farming systems and rural development priorities. As a result, the packages agreed across the UK administrations, and in Ireland, differ considerably with few common themes, despite the intra-UK and international (Irish/UK) shared borders.

This paper seeks to highlight where the approaches have diverged and where they are consistent and provides an overview of stakeholder reactions to CAP reform 2014-2020. It also considers the possible trajectory of future CAP reform and briefly describes past reforms to put the new agreement in context.

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## Contents

<b>1</b>	<b>Introduction</b>	<b>2</b>
1.1	The CAP from 1962 to 2013	2
	Early years: from shortage to surplus	2
	The MacSharry and Agenda 2000 reforms – responding to world trade developments	2
	Fischler, decoupling and the introduction of Single Farm Payments (2003)	3
	Health Check (2008)	3
	Implementation of the CAP 2005-2013 – the Single Farm Payment	5
	New data protection rules for CAP Payments (2013)	6
1.2	Farming in the UK and in Ireland	9
<b>2</b>	<b>The June 2013 Agreement on the CAP for 2014-20</b>	<b>12</b>
2.1	Delegated Acts and Implementing Acts	12
	Some interpretation issues	14
<b>3</b>	<b>Initial Reactions to the Agreement</b>	<b>21</b>
3.1	UK Government/England	21
	Stakeholders	21
3.2	Ireland	22
	Irish Government	22
	Stakeholders	22
3.3	Northern Ireland	22
	Ministerial response	22
	Stakeholders	23
3.4	Scotland	23
	Scottish Government	23
	Stakeholders	24
3.5	Wales	24
	Welsh Government	24
	Stakeholders	24
3.6	European Organisations	24
<b>4</b>	<b>Distribution of the CAP budget</b>	<b>26</b>
4.1	Current payment levels	26

4.2	2014-2020 Allocations – difficulty in making comparisons	27
4.3	Distribution of the CAP budget within the UK	30
4.4	England	31
4.5	Scotland	31
4.6	Northern Ireland	32
4.7	Wales	33
4.8	Future distribution of the CAP budget in Ireland	33
<b>5</b>	<b>Implementation of the CAP in the UK and in Ireland</b>	<b>35</b>
5.1	Direct payments	35
	More differences than similarities?	35
	Cross border issues (intra-UK)	36
5.2	Rural Development Programmes	53
	England	54
	Ireland	55
	Northern Ireland	57
	Scotland	59
	Wales	60
<b>6</b>	<b>Reaction to Implementation Decisions</b>	<b>61</b>
6.1	The hotly debated topics	61
6.2	Reaction to Pillar 1 Decisions	64
	England	64
	Ireland	65
	Northern Ireland	66
	Scotland	66
	Wales	67
6.3	Reaction to RDP Decisions	68
	England	68
	Ireland	68
	Northern Ireland	69
	Scotland	70
	Wales	70
<b>7</b>	<b>Delivery Readiness</b>	<b>72</b>
7.1	England	72

Direct Payments - Pillar 1	72
Rural Development Programme- Pillar 2	73
7.2 Ireland	73
Direct Payments- Pillar 1	73
Rural Development Programme-Pillar 2	74
7.3 Northern Ireland	74
Direct Payments – Pillar 1	74
Rural Development Programme – Pillar 2	74
7.4 Scotland	75
New online service for CAP and SRDP applications	75
Rural Development-Pillar 2	75
Audit Scotland report on CAP Futures Programme	76
7.5 Wales	77
Direct Payments – Pillar 1	77
Rural Development– Pillar 2	77
<b>8 The Future of the CAP</b>	<b>78</b>
New EU Agriculture Commissioner	78
UK Government stance	78
OECD recommendations	78
Looking to the next CAP reform	79
<b>Appendix 1 – Glossary of CAP terminology</b>	<b>81</b>

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## Summary

The Common Agricultural Policy reform package for 2014-20 is currently being implemented in EU Member States after overall political agreement was reached on the main elements in June 2013. The main reform provisions will be in play from January 2015 and 2014 has been a transition year.

The new agreement allows Member States and their regions an unprecedented, and welcome, amount of flexibility in terms of how they implement the CAP provisions to allow them to tailor the policy to their particular agricultural needs and approaches. As a result, the implementation decisions taken within the UK and in Ireland differ considerably, despite the intra-UK and international (UK/Irish) shared borders. The increasingly multi-national nature of food production, processing and retailing means that the differing approaches have the potential to significantly impact upon the farming and wider agri-food industries, particularly within neighbouring jurisdictions. It is now common place for food to be produced in one region/EU Member State, be processed in another and then marketed or sold in many others.

On the whole, the administrations and farmers of the UK countries and of Ireland believe that they have an acceptable reform package that they can work with. However, many environmental stakeholders have been disappointed that the 'greening' requirements linked to direct payments (Pillar 1) have been watered down from the original proposals and are now looking to rural development funds (Pillar 2) to bolster the CAP's environmental credentials.

Very different, "bespoke" approaches have emerged in the UK and in Ireland across all of the areas of flexibility permitted by the new reforms - around eighty decision points. There are only a handful of common decisions. These include: the UK and Ireland not implementing Small Farmers Schemes and the UK administrations applying a minimum claim size (England and Wales both at 5ha). Meanwhile, the divergence is especially apparent in regard to: modulation rates (transfer of funds from Pillar 1 to Pillar 2), coupled support (direct payments linked to production), capping of direct payments, choice of payment rates, and choice of eligible features for Ecological Focus Areas (EFAs).

The key question now seems to be at what point greater flexibility in CAP implementation might start to undermine the 'common' policy approach and generate an uneven playing field in terms of Europe-wide competitiveness. It may be hard to tell because the CAP reform packages vary so greatly that meaningful comparisons across, and within, Member States, are difficult. However, this flexibility is only likely to increase as the new EU Agriculture Commissioner has indicated that he will introduce a simplification and subsidiarity strategy for the CAP in 2015.

This paper updates the previous briefing of the same name produced in November 2013 when consultations on implementation were still ongoing in the UK and in Ireland.



# 1 Introduction

Member States are preparing to implement the current round of Common Agricultural Policy (CAP) reforms for 2014-2020. The details of this round were finalised in various EU Delegated and Implementing Acts in July 2014 following political agreement in June 2013. This set of reforms is the latest in a long history of the policy which dates back to its inception in 1962. Wide-ranging changes were made in CAP reforms agreed in 2003 and these set the context for the latest reform package. These, and earlier reforms, are summarised below.

The CAP is a complicated policy area which has developed an extensive set of associated, technical terms. These are briefly explained in the paper but a full glossary of CAP terminology has been included in Appendix 1 at the end of the paper to aid understanding.

## 1.1 The CAP from 1962 to 2013<sup>1</sup>

### ***Early years: from shortage to surplus***

The 1957 Treaty of Rome made provision for there to be a Common Agricultural Policy (CAP), and the policy was established in 1962. Europe had suffered food shortages during and after the Second World War, and the initial objective of the CAP was to increase food production. The CAP sought to do this by offering farmers guaranteed prices for their produce by managing supply. Surplus grain, milk, wine, olive oil and meat was removed from the market and held in intervention storage to keep prices above a target level. Tariffs were set to restrict competition and exports of surplus produce were subsidised.

The policy was so successful at increasing internal production that by the end of the 1970s and early 1980s the problem for policymakers was how to deal with grain mountains and wine and milk lakes. Their solution was to introduce supply management measures. For example, milk quotas were introduced in 1984 and set-aside was introduced in 1992. The latter policy required taking a specified minimum amount of land out of agricultural production. The 1970s also saw the introduction of specific supports for farmers in Less Favoured Areas (LFAs).

### ***The MacSharry and Agenda 2000 reforms – responding to world trade developments***

The next phase in the history of the CAP was marked by the EU's response to the outcome of international trade negotiations in the General Agreement on Tariffs and Trade (GATT) and then the World Trade Organisation (WTO), to make the CAP less trade distorting. The policy has also evolved in response to EU citizens' concerns about the need to protect the environment, and to improve animal welfare.

To reduce trade distortions, price support was reduced allowing prices on the internal EU market to fall closer to the world market price. Direct payments, paid per hectare of crops and per head of livestock, were also introduced to compensate farmers. This approach was begun by the 'MacSharry' reforms of 1992, agreed under the Irish Commissioner for Agriculture, Ray MacSharry, and continued with the Agenda 2000 reforms (agreed in 1999) under the Austrian EU Agriculture Commissioner Franz Fischler. The Agenda 2000 reforms also sought to reform the CAP to accommodate the accession of ten new Member States from Central and Eastern Europe in 2004.

Direct payments to farmers and remaining market support are described as 'Pillar 1' of the CAP. Another important change in the Agenda 2000 reforms was to bring together agri-

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<sup>1</sup> SPICe briefing 11/06, *CAP Reform: Proposals for 2014-20*, 28 January 2011 and *Council Regulation 73/2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations*, 19 January 2009

environment schemes and support for farming in Less Favoured Areas (LFAs) with other rural development measures in a rural development regulation. This rural development policy is commonly described as 'Pillar 2' of the CAP.

In the WTO terminology, subsidies which are trade distorting are known as "amber box" payments, and the WTO agreement limits the amount signatories can spend on this type of payment. Subsidies which would distort production, but which are subject to production limits e.g. quotas or set-aside are classed as "blue box". At present there are no limits on spending on blue box subsidies. Subsidies which have no effect on trade are known as green box, and are not subject to limits. The headage and area payments used by the EU were categorised as "Blue box" and were not subject to payment limits.<sup>2</sup>

### ***Fischler, decoupling and the introduction of Single Farm Payments (2003)***

The next major change in the policy was agreed in the 'Fischler' reforms of 2003. The reform was meant to be a mid-term review of the Agenda 2000 deal which was to run until 2006, but the reforms ended up being the most radical since the inception of the policy.

The Commission successfully argued that rather than a mid-term review, more radical reform was needed in order to strengthen the EU's hand in the Doha round of WTO negotiations which was launched in 2001. In previous negotiations the Commission had spent much of its time defending the CAP, so reform would allow the Commission to push for a better deal on access to other markets, which would benefit the EU. The centrepiece of the reform was to combine previously separate subsidy schemes into a Single Farm Payment (SFP) which would be 'decoupled' from production.

The rationale for such an approach is that by removing the incentives created by some of the previous subsidy schemes, e.g. the headage payments for sheep, farmers will align their production more closely to what the market wants - they will no longer have a reason to keep more animals than they would otherwise keep just to claim the subsidy on them. As they are not linked to production, the EU argues that Single Farm Payments are not trade distorting, and are therefore "green box".

The WTO Doha round was set to conclude in 2003, but agreement has never been reached, and agreement on farm subsidies remains one of the outstanding areas. Agreement was reached on some areas at the Bali WTO Ministerial Conference of December 2003, but a number of areas are yet to conclude, including agriculture, where negotiations are currently at an impasse.<sup>3</sup>

To receive the Single Farm Payment farmers must keep their land in Good Agricultural and Environmental Condition (GAEC), and respect EU laws on biodiversity, animal welfare, and the water environment – criteria known as "cross compliance". Single Farm Payments in the 10 Central and Eastern European Countries (which joined the EU in 2004) and in Romania and Bulgaria (which joined in 2007) have been made as a flat rate area payment, with rates increasing in steps to reach equivalent levels in the other Member States by 2013.

### ***Health Check (2008)***

The most recent changes to the policy (before the current reforms) were agreed as part of a 'Health Check' in 2008. The extent to which subsidies could continue to be coupled to production was reduced, set aside was abolished, and the transfer of resources from Pillar 1 to Pillar 2 of the CAP (modulation) was increased. However, the fundamental features of the

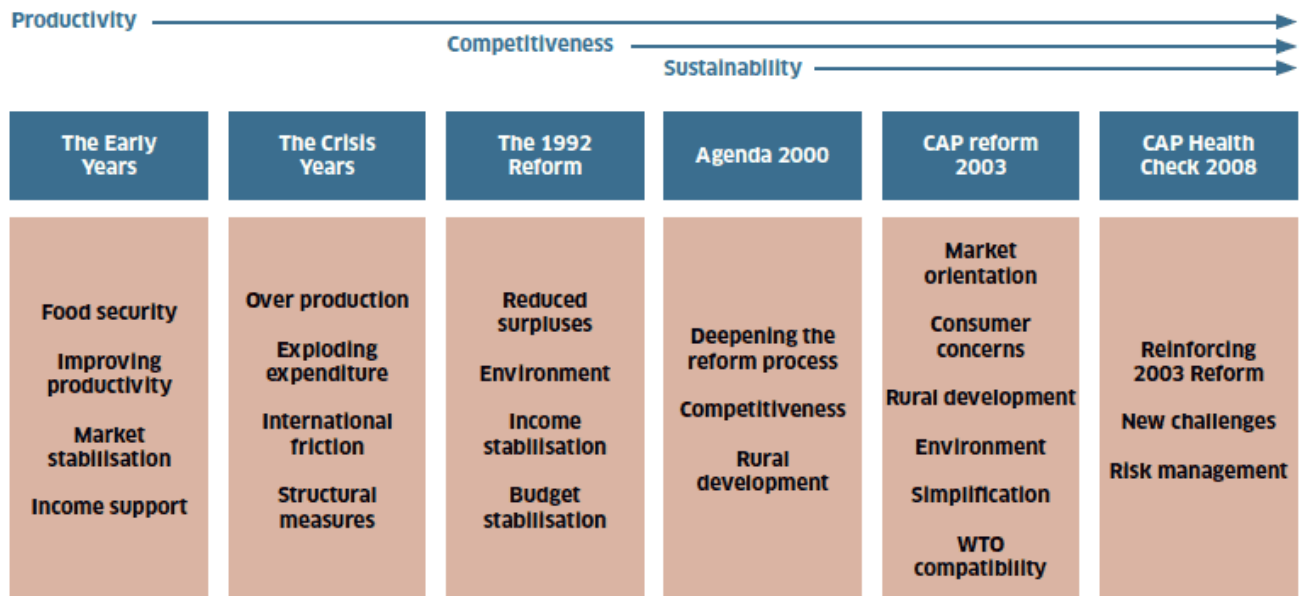
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<sup>2</sup> i.e. payments made according to the head of livestock of certain kinds kept on a farm

<sup>3</sup> WTO, [Round-the-clock consultations produce 'Bali Package'](#) 7 December 2003, and [No consensus on how to take negotiations forward, farm talks' chair concludes](#), 23 September 2014

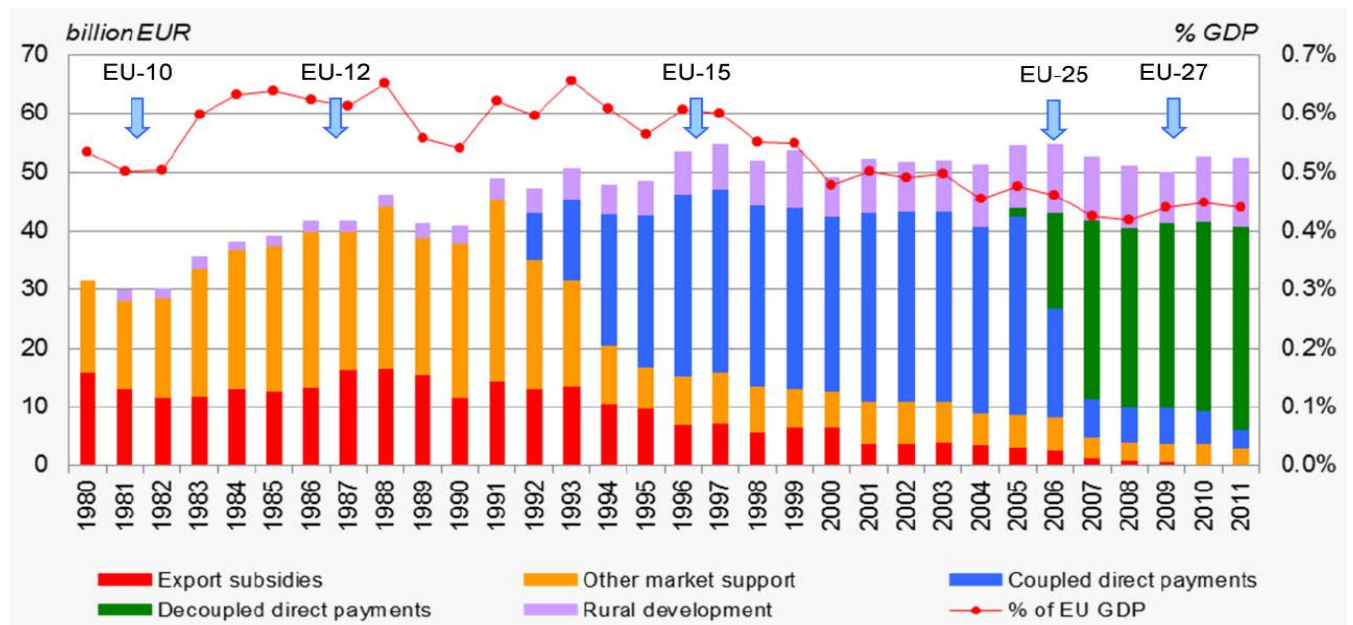
policy agreed in 2003 and the decoupled Single Farm Payment remain.<sup>4</sup> The evolution of the CAP from its inception to date is summarised in Figure 1 below. The bar chart in Figure 2 below gives a graphical illustration of the way CAP reforms over the last 30 years have changed from supporting prices to supporting producers.

**Figure 1: Historical development of the CAP**



Source: Scottish Government (2010)

**Figure 2: Evolution of CAP expenditure 1980-2011**



Source: European Commission, March 2013

<sup>4</sup> European Commission, *Health Check of the CAP – Before and After*, March 2009

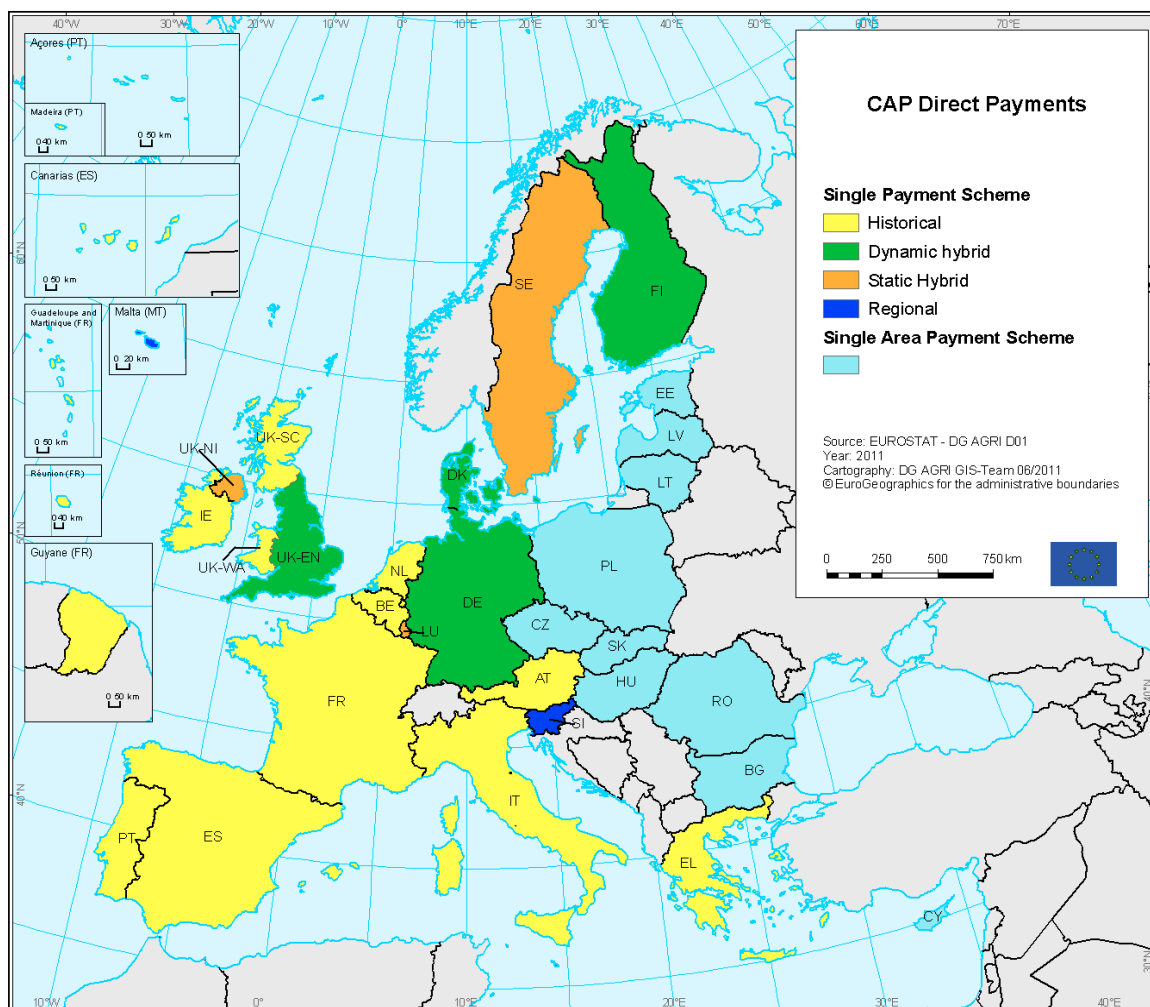
### Implementation of the CAP 2005-2013 – the Single Farm Payment

Implementation decisions taken in the last CAP reform left Member States and the countries of the UK in different starting positions for the latest round of reforms. In the last reform, Member States had a choice of how to implement the Single Farm Payment. They could choose to implement it in either: 2005, 2006 or 2007. They could also choose to make the payments on either the historical basis (based on the average amounts farmers received under previous schemes in a 2000-02 reference period) or on an area basis (a flat rate payment for each hectare of land farmed). Area payments could vary depending on the type of land.

Payments could also either be a fixed proportion of historic to area payments (static hybrid), or an area payment could be introduced gradually over time, with a corresponding reduction in the amount of historic payment (dynamic hybrid). Some of the previous subsidy schemes could also be retained, or “coupled” to production. Member States could also set up new schemes using a “national envelope” of up to 10% of payments to all sectors or an individual sector. These payments must contribute to the environment or to quality food production.

Member States which have joined the EU since 2004 have operated a different scheme called the Single Area Payment Scheme. The map below shows where the five different options for implementing the Single Farm Payments were used.

**Figure 3: Map showing models used to implement the Single Farm Payment**



Source: [European Commission 2011](#)

Table 1 (overleaf) sets out how the four countries of the UK and Ireland chose to implement the Single Farm Payment. All five countries chose to implement Single Farm Payments in 2005.

### ***New data protection rules for CAP Payments (2013)***

In 2007, the EU agreed to publish information annually about recipients of payments from Pillar 1 and 2 of the CAP, and this information was published for the first time in 2008. This decision was challenged by farmers in Germany, and in 2010 the European Court of Justice gave a ruling on the matter. The court ruled that publishing this data in relation to “natural persons” without drawing a distinction based on relevant criteria (such as the periods during which those persons have received payments, or the frequency or nature and amount of payments) was not proportionate, and that therefore, the EU law which required the publication of this information was invalid.<sup>5</sup> Consequently, the law was amended to comply with this judgement.

The amendment made to Commission Regulation (EC) No 259/2008 removed the requirement to publish details in respect of natural persons (e.g. individuals, and partnerships under the law of England, Wales and Northern Ireland) who are beneficiaries of CAP scheme payments. In accordance with the amended Regulation, Member States must cease the publication of data relating to natural persons, but continue to publish data on legal persons.

The EU rules require the information to be published on a single website per Member State. In the UK, data on recipients of CAP payments in England, Northern Ireland, Scotland and Wales are published on the [UK CAP payments](#) website. In Ireland, the data are published on the [CAP beneficiaries publication page](#) on the Department of Agriculture, Food and the Marine’s (DAFM) website.

New legislation (Regulation 1306/2013 and an associated implementing act) aimed at maximising transparency will come into effect for the publication of CAP payments made from 16 October 2013. Information will be published relating to all beneficiaries (both legal and natural persons) who receive more than the equivalent of €1,250, with increased information concerning the schemes or measures paid. Information for beneficiaries receiving €1,250 or less will be published in an anonymised way.

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<sup>5</sup> European Commission Europa website, [Beneficiaries of CAP payments \(shared management\) page](#) accessed on 30 October 2014.

**Table 1 - Implementation of the Single Farm Payment in the UK and in Ireland**

	<b>Model used</b>	<b>Coupled payments retained?</b>	<b>National Envelope used?</b>
England	<p><b>Dynamic hybrid</b></p> <p>Payments moved from 90% historic basis: 10% area basis in eight steps to reach a 100% area payment by 2012.</p> <p>Different payments are set for three types of land: moorland; upland land that is not moorland; other land. The same rate applies for each type of land throughout the country.</p> <p>This approach has been very complex to administer and widely agreed to have contributed to the failures of the Rural Payments Agency which led to a failure to pay farmers on time in March 2006.<sup>6</sup></p>	<p>No</p> <p>Government committed to total decoupling.<sup>7</sup></p>	No
Ireland	<p><b>Historic basis</b></p>	No	<p>Yes. Under Article 68 of Regulation 73/2009, Ireland re-allocated funds to support a grassland sheep scheme, some dairy quality and efficiency programmes and the Burren Farming for Conservation Programme (formerly BurrenLIFE).<sup>8</sup></p>

<sup>6</sup>HC 107-I, Third Report of House of Commons Environment, Food and Rural Affairs Committee (Session 2006-07), *The Rural Payments Agency and the implementation of the Single Payment Scheme*, March 2006, para 36

<sup>7</sup> Ibid para 5

<sup>8</sup> DG for Internal Policies, 2010. *The Single Payment Scheme after 2013: new approach, new targets* p.43

	<b>Model used</b>	<b>Coupled payments retained?</b>	<b>National Envelope used?</b>
Northern Ireland	<p><b>Static hybrid</b></p> <p>The motivation for adopting a static hybrid model was equity considerations – ensuring that those who benefited from coupled support in the past should benefit, in broadly equal measure, from decoupled support in the future.</p> <p>Payments are made up of a historic component (78%) and an area payment (22%) For the historic component, these are based on payments in the 2000-2002 reference period, but for dairy farmers 2005 data were used. The area payment is based on area claimed in 2005.</p>	No	No
Scotland	<b>Historic basis</b>	No	In the beef sector. Maximum permissible 10% of payments under previous beef sector schemes used for Scottish Beef Calf Scheme. This is a headage scheme which gives a payment per beef calf. The amounts given per year vary depending on the total number of calves claimed in Scotland. To support smaller producers there is a higher payment for the first ten calves claimed under the scheme.
Wales	<b>Historic basis</b>	No	No

## 1.2 Farming in the UK and in Ireland

CAP reform 2014-2020 allows for a great deal of flexibility of implementation for Member States. This will allow them to customise the reform package to best fit their different farming priorities. Table 2 (overleaf) provides a range of data comparing the key features of the farming systems in the four countries of the UK and in Ireland which illustrates their different approaches and priorities

The data highlight the following:

- England has a markedly different farm sector from the other countries of the UK and from Ireland. Only 17% of England is designated as LFA compared to >70% in the other four countries. Around half of farmland in England is cropped, which explains the large hectareage devoted to growing combinable crops (wheat, barley and oilseed rape). Maize is a crop which is growing in importance, especially in England, where more land is now put into maize than potatoes. It is mainly used for making into silage for animal feed.
- Around two-thirds of farmland in Scotland is rough grazing, emphasising the particular challenges of farming in Scotland.
- The importance of cattle farming in Ireland. Ireland has approximately the same number of dairy cattle and more beef cattle than England but less than half the area of farmland. Likewise, the importance of the beef sector in Scotland is shown by the fact that it has more than twice as many beef cattle as dairy cattle. Wales, Ireland and Northern Ireland have about the same number of beef as dairy cattle, while England has more dairy than beef cattle.
- Sheep production is important in Wales. Its breeding ewe flock numbers are over 4m, 1.7m more than in Scotland, on less than one third of the farmed area. The larger proportion of better quality pasture in Wales allows higher stocking rates.
- England dominates in pig, poultry meat and egg production.
- England and Scotland have much larger farms on average, at around 100ha, than Ireland, Northern Ireland or Wales, where the average farm size is 30-40ha. This, together with the greater proportion of more productive land in England, helps to explain the higher gross output of English farms, and the lower reliance on subsidies than the other three countries of the UK or Ireland. In spite of having larger farms, the average output per farm is lower in Scotland than in Northern Ireland, and Scotland has the lowest output per ha compared to all four UK countries and to Ireland.
- Total employment in agriculture as a percentage of total workforce is highest in Ireland and Northern Ireland, highlighting the importance of the agriculture sector to these economies.



**Table 2: Selected Farming Facts and Figures (most recent comparable data)**

	England	Ireland <sup>9</sup>	Northern Ireland	Scotland	Wales
Total agricultural area (ha) (% of total land area)	9,485,436 (71)	4,480,000 (65) <sup>10</sup>	1,033,359 (75)	6,187,737 (73)	1,739,873 (83)
Number of farms	101,000	139,860 <sup>11</sup>	24,500	52,700	42,300
Total employment in agriculture (% of total workforce)	307,000 (1.3)	110,500(5.9) <sup>12</sup>	47,000 (5.8)	68,000 (2.7)	58,000 (4.2)
% designated as Less Favoured Area (LFA)	17	75	70	85	81
Crops: Grass: Rough grazing <sup>13</sup> (% of total farmed area)	46: 44: 10	8 : 81 : 11 <sup>14</sup>	5: 78: 17	10: 24: 66	5: 68: 27
Average Farm Size (ha)	90	32.7 <sup>15</sup>	41	106	37
Wheat (ha)	1,505,000	60,600 <sup>16</sup>	8,000	86,840	15,133
Barley (ha)	828,000	219,400	27,800	339,138	20,394
Oilseed rape (ha)	676,000	12,400 <sup>17</sup>	500	33,653	4,679
Maize (ha)	182,000	NA	1,577	1,406	9,599
Potatoes (ha)	103,000	10,700	4,300	29,109	2,586
Beef cows	720,000	1,085,100	270,100	446,939	220,000
Dairy cows	1,100,000	1,082,500	279,500	165,672	273,600
Breeding ewes	5,535,000	2,546,300	921,400	2,616,166	4,275,400
Breeding pigs	346,000	145,100	42,500	28,796	4,400
Broiler chickens	76,999,000	65,002,009 <sup>18</sup>	13,412,000	8,086,193	6,079,114
Laying hens	33,349,000		2,438,400	2,450,778	2,376,358
Gross output (£m)	19,126	6,066 (€7,256) <sup>19</sup>	1,921	3,138	1,529

<sup>9</sup> 2013 except where stated

<sup>10</sup> Irish Department of Agriculture, Food and the Marine, [Fact Sheet on Irish Agriculture - July 2014](#)

<sup>11</sup> *Ibid* (2010 figure)

<sup>12</sup> *Ibid* (2014 figure)

<sup>13</sup> Includes common rough grazing

<sup>14</sup> *Ibid*

<sup>15</sup> *Ibid* (2010 figure)

<sup>16</sup> *Ibid* (for wheat, barley & potatoes)

<sup>17</sup> Figure for 2011- Department of Agriculture, Food and Marine, [Compendium of Irish Agricultural Statistics 2013](#) (accessed 18 August 2014)

<sup>18</sup> Total volume of poultry in 2013. [Annual Review & Outlook for Agriculture, Food and the Marine 2013/2014](#) p.128 (accessed 18 August 2014)

<sup>19</sup> Goods Output at Producer Prices (including forage), Available in: Irish Department of Agriculture, Food and the Marine, [Fact Sheet on Irish Agriculture – July 2014](#) (accessed 18 August 2014). Also in: [Output, Input and Income in Agriculture - Final Estimate](#) (CSO). Conversions from € to £ have been made using the official UK Rural Payments Agency exchange rate for the relevant year.

	England	Ireland <sup>9</sup>	Northern Ireland	Scotland	Wales
Gross output per farm (£)	189,366	52,007 (€60,010) <sup>20</sup>	78,408	59,629	36,147
Gross output per ha (£)	2,016	1447 (€1,818)	1,925	507	879
Gross value added at basic prices 2013 (£m)	7,338	1529 (€1,922)	445	1096	344
Total subsidies 2013 (£m)	2,142	1,371 <sup>21</sup> (€1,723)	319	580	310
Subsidies as % of TIFF	52	77 <sup>22</sup>	107	70	142
Net Farm Income, average all farm types 2012/13	34,000	20,241 (€25,437)	13,000	21,000	17,000

**Sources:** Defra, [Agriculture in the UK 2013](#), Defra, [Farming Statistics Final Land Use, Livestock Populations and Agricultural Workforce at 1 June 2013 – England](#), [2014 statistics are available for England but 2013 used for comparison here]. Department of Agriculture and Rural Development, [Statistical Review of Northern Ireland Agriculture, 2013](#) Irish Department of Agriculture, Food and the Marine, [Fact Sheet on Irish Agriculture – July 2014](#), Central Statistics Office [Output, Input and Income in Agriculture - Final Estimate](#), Central Statistics Office, [Area Yield and Production of Selected Crops](#), Agricultural Economics & Farm Surveys Department [Teagasc National Farm Survey Results 2013](#), The Scottish Government, Natural Scotland, [Economic report on Scottish agriculture, 2014](#) The Scottish Government, [Agricultural facts and figures 2014](#), Welsh Government, [Farming Facts and Figures Wales 2014](#). Conversions from € to £ have been made on the exchange rate as on 28.8.14

<sup>20</sup> Calculated from 2011 figures

<sup>21</sup> [Annual Review and Outlook for Agriculture, Food and the Marine 2013/2014](#) states that direct payments to farmers totalled €1,723 million. This figure excludes afforestation grants and premia, all on farm investment schemes and installation aid (pg. 13)

<sup>22</sup> On a per farm basis, the [National Farm Survey Estimates for 2013](#) indicate that average family farm income for 2013 was €25,437, direct payments per farm were on average €19,474 for 2013. As such, direct payment comprised 77% of farm income on average for 2013.

## 2 The June 2013 Agreement on the CAP for 2014-20

The latest CAP reforms were debated over four years. The European Parliament's Agriculture Committee published an [own-initiative report](#) on CAP reform in July 2010.<sup>23</sup> This was followed by a [Communication](#) from the European Commission setting out its initial thinking in November 2010.<sup>24</sup> The Commission then published [legislative proposals](#) in October 2011.<sup>25</sup> Following the ratification of the Treaty on the Functioning of the European Union (the Lisbon Treaty), EU laws on agriculture are subject to the ordinary legislative procedure. This means that the European Parliament and the Council of the European Union must agree on legislation in this area before it is adopted. CAP reform 2014-20 was the first reform that also required approval by the European Parliament to proceed.

The negotiations over the EU budget provided a key backdrop to the latest CAP reform because the CAP continues to make up such a high proportion of EU spending (around 40% of the EU budget in 2013), and because it is difficult to decide how to spend the money until you know how much money there is to spend.<sup>26</sup> The European Council reached a political agreement on the EU budget for 2014-20 in June 2013.<sup>27</sup> As well as setting the overall budgets for Pillar 1 and Pillar 2 of the CAP, the deal agreed by the Heads of State and Government also went into more detail on some areas of CAP spending. The European Parliament approved the budget in its Plenary of 19 November 2013 and a review of the Multi-Annual Financial Framework (MFF) in 2016.<sup>28</sup>

The European Parliament agreed a mandate for MEPs from the Parliament's Agriculture Committee to negotiate with the Council in March 2013. In the same month, the Agriculture / Fisheries Council agreed a "general approach" on the proposals for CAP reform. While there were many areas of broad agreement between the two institutions, there were other areas where they took different positions. More than 40 'trilogue' discussions took place between Council, Commission and Parliament negotiators between April and June 2013.<sup>29</sup> This work allowed the Council and Parliament to reach an agreement on most aspects of the CAP reform in June 2013, in line with the Irish Presidency's timetable. Final political agreement on the few outstanding issues, not agreed in June 2013, was reached on 24 September 2013. The four legislative texts that make up the CAP were then formally adopted on 13 December 2013.<sup>30</sup>

### 2.1 Delegated Acts and Implementing Acts

Whilst the texts of the basic regulations underpinning CAP reform 2014-20 were formally adopted in December 2013, the Commission was also tasked with developing and publishing a number of Delegated and Implementing Acts. These Acts contain more detailed rules on how the basic regulations should be interpreted and implemented. The details of these Acts

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<sup>23</sup> European Parliament Committee on Agriculture and Rural Development, [Report on the future of the Common Agricultural Policy after 2013](#), 21 June 2010.

<sup>24</sup> European Commission, [The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future](#), 18 November 2010.

<sup>25</sup> European Commission, [Legal proposals for the CAP after 2013](#), 12 October 2011.

<sup>26</sup> European Commission website, Financial programme and budget page, [Budget 2013 in figures](#) as on 19 November 2013

<sup>27</sup> European Commission Newsroom Highlights, [Multi Annual Financial Framework 2014-2020](#) as on 13 November 2013

<sup>28</sup> European Commission Press Release, [One trillion euro to invest in Europe's future – the EU's budget](#), 19 November 2013

<sup>29</sup> Updated: Most CAP reforms for 2014-2020 agreed, [Agra Europe](#), 27 June 2013

<sup>30</sup> The four Regulations are numbers 1305, 1306, 1307 and 1308 of 2014 and were published in the Official Journal on the 20 December 2013, [OJ L 347, 20.12.2013](#)

are an important part of the implementation process as they establish the exact rules which Member States must follow in deciding how to implement the policy.

Delegated Acts include supplementary information on how the regulations should be interpreted. Meanwhile, Implementing Acts are intended to ensure uniform implementation across the EU and largely set out details of procedural rules that Member States should follow. For example, the Delegated Act on CAP direct payments includes further information on how the greening requirements should be interpreted and defined whereas the equivalent Implementing Act sets out some of the basic information a Member State should collect from farmers to verify that greening requirements are being implemented properly.

The Commission published the first Delegated Acts which included Acts on direct payments, rural development and cross compliance on 11 March 2014.<sup>31</sup> The Commission published the Implementing Act on direct payments on 16 June 2014 and on rural development, cross compliance measures on 17 July 2014.

All CAP Delegated and Implementing Acts have now entered into force. The Delegated Acts contain important information on the interpretation of key elements of the reforms. In particular the CAP Delegated Acts contain information for national administrations on: greening definitions and in particular the definition of ecological focus areas and permanent grassland; interpretation of the Active Farmer tests and in particular the minimum agricultural activity requirements that Member States can set to define Active Farmers and; the issuing of payments to dual claimants.

In relation to the interpretation of the greening requirements, the Agriculture Committee of the previous European Parliament had threatened to veto the Delegated Act on direct payments due to the co-efficient rates that had been set for the extent to which nitrogen fixing crops will count towards Ecological Focus Areas. Despite strong opposition from Environment NGOs such as Birdlife, the Commission agreed to increase the co-efficient rate and the Delegated Act was passed within the life of the previous Parliament. Member States had also voiced concern that the initial texts of the Delegated and Implementing Acts published by the Commission risked stepping beyond the political agreement reached on the four main CAP regulations.<sup>32</sup> Particular concern was expressed about the definitions applied in relation to greening and the young farmers' scheme.

The Agriculture and Rural Development Committee of the new European Parliament held a seminar on CAP Reform with European Commission officials on 23 September 2014. A number of the MEPs expressed concern about the content of the Implementing and Delegated Acts and particularly the rules on greening.<sup>33</sup> Some MEPs from the UK and Ireland expressed concern about the clarity and timeliness of the information being provided to Member States by the European Commission on interpretation of the CAP rules. Concern was expressed by MEPs that failure to provide accurate advice at this point could lead to the imposition of penalties for non-compliance at a later date.

Table 3 (on p.16) summarises the key elements of the four basic CAP regulations as adopted.<sup>34</sup> The section below highlights some UK issues that arose from the final details of these regulations.

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<sup>31</sup> European Commission, *Implementation of the CAP reform: Delegated Acts and Implementing Acts in relation to the CAP reform*, as viewed on 18 August 2014

<sup>32</sup> Agra Europe, *Member States slam Commission CAP implementation plans*, 14 November 2014

<sup>33</sup> A video of the Committee Meeting can be viewed on the European Parliament's Multimedia Library [here](#).

<sup>34</sup> European Commission, *CAP Reform-basic regulations*, as viewed on 18 August 2014

## ***Some interpretation issues***

### *Scotland's 'naked acres' and the implementing regulations*

Scotland has an estimated 1 million hectares of rough grazing which is potentially farmable but which is not currently being used to claim payments and which could potentially be eligible for area payments under the Basic Payment Scheme in 2015. Under the previous CAP, some of this land was rented out as “naked acres”, and Single Farm Payment was claimed against it. This practice became known as “slipper farming”.

The Scottish Government was particularly keen to introduce measures that would prevent this practice so that only claimants who were engaged in a meaningful level of farming activity received support. It negotiated a “Scottish clause” in the Council regulations which allows a minimum activity requirement to be established on agricultural areas “naturally kept in a state suitable for grazing or cultivation”.

The Scottish Government was considering using these provisions to require a minimum stocking rate for rough grazing land. This would have been set at a low level, to account for the limited productivity of this land, and also with a derogation to allow for lower stocking rates, where grazing was reduced for environmental reasons. The Scottish Government's consultation paper on implementing the CAP reform was published before the implementing regulations were finalised (in December 2013), and it noted that the detailed implementing requirements were not clear. The Scottish Government was concerned that one draft interpretation of the 'Scottish Clause' appeared to rule out linking payments with production. The Scottish Government then pursued a solution with the European Commission that sought to allow a minimum activity requirement to be established that was not production distorting, and which was compatible with WTO requirements.<sup>35</sup>

The final text of the implementing regulations, read with the Council Regulation, would not allow a minimum stocking density to be applied as an activity test. Article 10 of the Implementing Regulation (639/2014), read with the Council Regulation (1307/2013) provides that the minimum activity requirement shall not apply to farmers who carry out “an agricultural activity”. There are three ways “agricultural activity” can be construed, one of which includes “keeping animals for farming purposes”, but without specifying any minimum level of production. The recitals to the implementing regulation suggest that WTO considerations, and the need for the basic payment to be green box compliant, and in no way production distorting, explain the Commission's approach:

(5) Support other than coupled support should respect the requirements to be considered as decoupled income support in the meaning of the 'Green Box' of the Agreement on Agriculture concluded during the Uruguay Round of multilateral trade negotiations (2), and coupled support should respect the requirements to be considered as falling within the 'Blue Box' of that Agreement.

(6) In accordance with Article 4(1)(c) of Regulation (EU) No 1307/2013, an 'agricultural activity' does not require production, rearing or growing of agricultural products. Farmers may instead maintain an agricultural area in a state which makes it suitable for grazing or cultivation without preparatory action going beyond usual agricultural methods and machineries or, on agricultural areas naturally kept in a state suitable for grazing or cultivation, carry out a certain minimum activity. As the latter two activities both require a certain action on the part of the farmer, it is necessary to establish a Union

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<sup>35</sup> Scottish Government, *'Scottish clause' solution sought*. 16 December 2013

framework within which Member States are to establish the further criteria for those activities.

The details of the minimum activity requirement that will apply in Scotland are still being developed by the Scottish Government. The fact that it will not be possible to specify a minimum stocking rate has led the Scottish Government to adopt alternative solutions. Rough grazing land with a low stocking rate will only qualify for a very low basic payment of €10/ha, and non-agricultural sporting estates are added to the negative list of areas ineligible for payment.

In Wales, the use of a minimum stocking rate for land 'naturally kept' in a state suitable for grazing has been approved by the European Commission provided that claimants are offered another choice of how to demonstrate active farming which is not about grazing.

#### *The Dual Use Claim issue in Northern Ireland*

Around a third of Northern Ireland's farmland is held in conacre, meaning that it is leased on an 11 month basis. This system has meant that it has not been uncommon, despite Commission concerns, for landowners to claim a single farm payment on a parcel of land for which a con-acre tenant is also claiming an agri-environment payment i.e. a dual use claim. This system faces challenges going forward however, given the requirement for an active farmer to '...enjoy the decision making power, benefits and financial risks in relation to the agricultural activity on the land for which an allocation of payments is requested.'<sup>36</sup>

This requirement will present challenges for many landowners as the conacre tenant is often the one making the decisions and taking the risks on the land, and as a result the landowner would not be eligible for the new basic payment. The impact of this is still being worked out but there are anecdotal suggestions that landowners are reacting in a number of ways such as: seeking to actively farm their land or increasing their con-acre rent to offset the loss of a basic payment.

The key area of concern is around those landowners who wish to carry on with their current conacre letting but who will also seek to establish entitlements to basic payment. Any effort to establish, what are essentially, artificial entitlements could lead to future penalties for landowner and conacre tenant alike.<sup>37</sup>

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<sup>36</sup> DARD, *Countdown to CAP: Direct Payments*, July 2014

<sup>37</sup> DARD Press Release, 'DARD repeats how 'active farmer' negotiations proceeded', 25th April 2014

**Table 1 - Summary of the Basic CAP Regulations Adopted**

<b>PILLAR 1<sup>38</sup></b>	
<b>Pillar 1 Budget</b>	The budget for Pillar 1 will be €277.8 billion for 2014-20 (in 2011 prices) <sup>39</sup> , 77% of the total CAP budget (a cut of 14% compared to 2007-13). <sup>40</sup> “National ceilings” i.e. allocations of the Pillar 1 budget between Member States have been published. The change in direct payment allocation for the UK and Ireland compared to the amount received in the last Multiannual Financial Framework is -2.5% and -3.3% respectively. <sup>41</sup>
<b>Regional Implementation</b>	The four countries of the UK are classed as regions for EU purposes. All elements of the reformed CAP can be implemented regionally, so within the UK England, Northern Ireland, Scotland and Wales can take different decisions. For “Member State” also read “region” in the table.
<b>Cross compliance</b>	In order to receive the direct payments farmers will have to continue to comply with a suite of EU laws on biodiversity, animal welfare, and the water environment, and keep their land in Good Agricultural and Environmental Condition.
<b>External convergence</b>	The national envelopes for direct payments for each Member State will be progressively adjusted such that those Member States with direct payments per hectare below 90% of the EU average will close one third of the gap between their current direct payments level and 90% of the EU average. It is guaranteed that every Member State will reach a minimum level by 2020. The amounts available for other Member States who receive above average amounts will be adjusted accordingly.
<b>Internal Convergence</b>	Member States that have used the historic basis for the Single Farm Payment must begin to shift towards an area payment. It is up to Member States to devise their own schemes for area payments e.g. setting different rates for different land types. Member States which do not have area payments at present can either introduce them in full in 2015, introduce them in equal steps, so that they are introduced in full by 2019. Or, as a derogation from this they can partially introduce area payments. This option requires that: farmers who currently receive less than 90% of the average payment will close the gap between their payment and 90% of the average by one third by 2019; additionally all farmers must receive a minimum of 60% of the average by 2019; payments to farmers who receive over the average will reduce to fund this; Member States can choose to limit the reductions in payments to 30% of what farmers currently receive, and this can take precedence over increasing payments to farmers who receive below average payments.

<sup>38</sup> [Regulation \(EU\) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers](#), OJ L 347, 20.12.2013

<sup>39</sup> European Council (EUCO 37/13), [Conclusions on the Multiannual Financial Framework](#), 8 February 2013

<sup>40</sup> This is based on the European Commission's €322 billion figure for 2007-13 in 2011 prices set out in European Commission, [The Multiannual Financial Framework 2014-2020](#), 30 June 2011

<sup>41</sup> DG Internal Policies Policy Department B, Structural cohesion policies, [European Council Conclusions on the Multiannual Financial Framework 2014-2020 and the CAP: Note](#), Table 12, p.44, July 2013

<p><b>Basic payment scheme</b></p>	<p>Member States will distribute part of their Pillar 1 budget through a basic payment scheme. Member States that have joined the EU since 2004 will continue with a Single Area Payment Scheme until 2020. The amount available for the basic payment scheme will be the national ceiling minus the greening payment (30% of national ceiling) and other deductions :</p> <p><b>Optional:</b> Coupled support; Small Farmer Scheme (&lt;10%); transfers to Pillar 2 (&lt;15%), Area of Natural Constraint (ANC) top up (5%); first hectares top up (30%);</p> <p><b>Required:</b> creation of a national reserve (&lt;3%); young farmer top up (&lt;2%);</p> <p>In order to receive the basic payment in 2015 farmers must either have been in receipt of Single Farm Payments in 2013, or they must be able to demonstrate that they were engaged in agricultural activity in 2013.</p> <p>Member States which may see a large increase in the eligible area can limit the increase to either 135% or 145% of the area claimed in 2009 and scale back payments accordingly.</p>
<p><b>Active farmers</b></p>	<p>Member States can set minimum activity requirements for land which is naturally in a state suitable for grazing or cultivation. An EU wide "negative list" of activities which are not eligible for CAP payments has been drawn up. This includes airports, railway services, water works, real estate and sports grounds. Member States can add to this list. Companies on the negative list can still be considered active farmers if they can prove: that the amount of direct payment they received in the latest fiscal year is at least 5% of the total receipts they received from non-agricultural activities; or that their agricultural activities are not insignificant; or that the principal objective of the company consists of an agricultural activity.</p>
<p><b>Capping payments and degressivity</b></p>	<p>The European Commission originally proposed that direct payments should be capped. As part of an overall compromise, European Agriculture Ministers agreed a provision allowing either a redistribution method and/or reduction method to reduce payments going to the claimants receiving the largest payments.</p> <p>Direct basic or single area payments of above €150,000 to an individual farm (excluding Greening payments) will be reduced by at least 5% with the option for Member States to increase this percentage. To take into account employment, salary costs can be deducted before the calculation is made. This reduction does not need to apply to Member States which apply the "redistributive payment" under which at least 5% and up to 30% of their national envelope is held back for redistribution on the first hectares of all farms.</p> <p>Funds "saved" under this mechanism stay in the Member State and go to Pillar 2 and can be used without any co-funding requirements.</p>
<p><b>Redistributive Payment/ First hectares top up</b></p>	<p>Member States can use from 30% of their national ceiling for area payments for the first 30ha farmed (or up to the average farm size in the Member States, which is 54ha in the UK and 32ha in Ireland). The payment per hectare can be any amount up to 65% of the national average payment per hectare in the Member State and is applied as a 'flat rate' irrespective of the value of the farmer's entitlements.</p>



<b>Greening</b>	<p>30% of the Pillar 1 budget will be used for a greening payment. Member States can choose how to implement the greening payment, either as a flat rate per hectare, calculated by dividing 30% of the direct payment ceiling by the total area of land claimed under the Basic Payment Scheme (BPS) within the region each year, or the greening payment would be 30% of the payment entitlements activated by each farmer each year.</p> <p>Farmers will have to comply with three criteria to get the payment (<b>where applicable</b>):</p> <ul style="list-style-type: none"> <li>• Farmers with between 10 and 30ha of arable land must grow two arable crops, with no crop constituting more than 75% of the total area. Farmers with more than 30ha of arable must grow three crops, with one crop no more than 75% and two crops no more than 95%. Winter and spring sown crop varieties are counted as separate crops.</li> <li>• Farmers will not be allowed to plough permanent grasslands designated by Member States under the Birds or Habitats Directives or to plough any additional environmentally valuable sensitive grasslands designated as such by Member States for the purposes of this Directive. In relation to other permanent grasslands, farmers may convert no more than 5% of permanent grassland to arable. Permanent is defined as land that has been pasture for 5 years or more. The 5% ration can be set at a national, regional, sub-regional or farm level. The ratio of permanent grassland within an agricultural area will be calculated on the basis of permanent grassland declared in 2012 or 2013.</li> <li>• Farmers with more than 15ha of arable land must dedicated at least 5% of this arable land for use as an ecological focus area (EFA) by 2015, rising to 7% by 2017 (subject to review). Field margins, hedges, woodland, fallow land, landscape features (e.g. archaeological sites, dry stone walls), buffer strips, nitrogen fixing crops and ponds can count towards the EFA. Member States can opt to deliver 50 % of the EFA requirement on a regional basis.</li> </ul> <p>As an alternative to the above requirements, Member States can choose to adopt a national certification scheme(s) containing equivalent and additional practices which offer some additional flexibility to the greening requirements (in the negotiations the UK government argued for this flexibility).</p> <p>Organic farmers and participants in the Small Farmers Scheme will be exempt from greening. Farmers who do not comply with the greening requirements will lose their greening payment. From 2017 farmers who do not comply with greening requirements will also lose an additional amount equivalent to 20% of their greening payment, rising to 25% for 2018 and subsequent years.</p>
<b>Double funding</b>	<p>There is a risk that farmers who are in agri-environment schemes and get a greening payment could be paid twice for doing the same thing. Payments from agri-environment schemes for measures equivalent to greening will be reduced to avoid the risk of double funding.</p>
<b>National reserve</b>	<p>Member States must create a national reserve which will be used as a matter of priority to provide payments for new entrants. Up to 3% of the national ceiling can be used for this. The reserve can also be topped up by top-slicing transfers of entitlements without land.</p>
<b>Young farmer top up</b>	<p>New entrants 40 or under must receive a top up of 25% on their payments per ha for up to 5 years or until they turn 40 up to a maximum of 90ha. Up to 2% of the national ceiling can be used for young farmer top up payments. Member States may apply additional training or skills based eligibility criteria.</p>

<b>Small farmer scheme</b>	Member States can choose to introduce a 'simplified' payment scheme for farmers as an alternative to direct payments to be known as the Small Farmers Scheme. The maximum annual payment for farmers in the scheme would be €1,250 per year. Participants would be exempt from greening, active farmer and some of the cross-compliance requirements. Up to 10% of the national ceiling can be used for the Small Farmers Scheme.
<b>Coupled support</b>	Member States currently spending less than 5% of their national ceiling on coupled payments (the UK) could increase this to 8%. Member States currently using 5-10% could increase this to 13%. Member States using >10% could increase to >13% with Commission approval.
<b>Less Favoured Area / Areas of Natural Constraint top up</b>	Member States can make additional payments to farmers in LFA/Areas of Natural Constraint. They can use up to 5% of their national ceiling for this.
<b>Transferring funds between pillars</b>	Member States will have the possibility of transferring up to 15% from Pillar 1 to Pillar 2. These amounts will not need to be co-funded. Member States will also have the option of transferring up to 15% from Pillar 2 to Pillar 1, or up to 25% for those Member States that get less than 90% of the EU average for direct payments.
<b>Publication of data - CAP beneficiaries</b>	Data on recipients from the CAP was published in 2008 and 2009, but following a court case in 2010 data about payments to individuals was withdrawn and published payment data for 2010-2012 was linked to a postcode prefix instead. <sup>42</sup> As part of CAP reform Member States will again publish data on all CAP beneficiaries, except farms eligible for the Small Farmers Scheme (SFS).

<b>PILLAR 2<sup>43</sup></b>	
<b>Pillar 2 Budget</b>	The budget for Pillar 2 for 2014-20 will be €84.9 billion (in 2011 prices), 23% of the total CAP budget (a cut of 12% compared to 2007-13).
<b>Member State allocations</b>	Rural Development allocations per year per Member State for 2014-20 are set out in the EU Rural Development Regulation. Ireland has been allocated a total of €2.19 billion and the UK €2.58 billion (in current prices). These amounts include an estimate of the amount of funds that will be transferred to rural development arising from the application of the 5% reduction on payments above €150,000.

<sup>42</sup> Data was still published for 2010, 2011 and 2012 in the UK on the size of the payments but where the named beneficiary was a natural person (rather than a business) their name and address was redacted and only their postcode prefix was identified.

<sup>43</sup> [Regulation \(EU\) No 1305/2013 of the European Parliament and the Council of 17 December 2013 on support for rural development by the EAFRD and repealing Council Regulation \(EC\) No 1698/2005](#), OJ L 347 20.12.2013

<b>Co-funding rates</b>	The maximum EU co-funding rates will be up to 85% in less developed regions, the outermost regions and the smaller Aegean islands, 75% in transition regions, 63% in other transition regions and 53% in other regions for most payments, but can be higher for the measures supporting knowledge transfer, cooperation, the establishment of producer groups and organisations and young farmer installation grants, as well as for LEADER (rural development) projects and for spending related to the environment and climate change under various measures.
<b>Spending options</b>	Spending options are broadly similar to those available from 2007-13. They are now grouped into six “priority areas” as opposed to the previous four axes.  A minimum of 30% of Pillar 2 budgets must be spent on agri-environment / climate / forestry / Natura 2000 / LFA measures, and a minimum of 5% must be spent on LEADER programmes (Links between the Rural Economy and Development Actions). <sup>44</sup>
<b>Areas of Natural Constraint (formerly LFA)</b>	LFA will be redefined as Areas of Natural Constraint. The definition will be based on 8 biophysical criteria. At least 60% of a farm’s area must qualify. Where Member States had an LFA scheme under the 2007-13 RDP Member States can continue to make payments based on this definition until 2018 when the new definition of Areas of Natural Constraint will have to apply; Member States can choose to do it earlier.

<sup>44</sup>The LEADER programme was one of the four axis of the Rural Development Programme for 2007-2013 and remains an approach to involving stakeholders in rural economic development.

### 3 Initial Reactions to the Agreement

#### 3.1 UK Government/England

The UK Government viewed the new CAP deal as “acceptable” and an improvement on the European Commission’s original proposals but felt that more could have been done to simplify and reform the CAP.<sup>45</sup> The UK’s key aims for the reform negotiations were to: increase the reliance, market orientation and international competitiveness of EU agriculture, to improve the CAP’s capacity to deliver environmental outcomes; and to simplify the CAP for farmers and authorities.<sup>46</sup> The Secretary of State for Environment, Food and Rural Affairs at the time, Owen Paterson, credited the UK as “working with its allies” to stop a whole raft of “regressive proposals which would harm UK farmers”.<sup>47</sup>

#### **Stakeholders**

The Shadow Farming Minister has said that he was ‘disappointed’ about the CAP reforms achieved. He has commented that the opportunity was missed this time to move towards a simplified CAP with more competitive agriculture, wasting a lot of effort from farmers and government.<sup>48</sup>

The National Farmers Union (NFU) expressed disappointment with the final CAP deal concerned that the degree of flexibility afforded to the UK Government would penalise English farmers compared to European counterparts. This was also a concern of the Country Land Owners Association (CLA).<sup>49</sup> The NFU’s key concerns were around the UK’s initial indication that it would modulate the full 15% from Pillar 1 to Pillar 2, potential gold plating of the greening requirements, and the impractical nature of the diversification requirement (3 crop rule).<sup>50</sup>

However, many environmental organisations strongly supported full modulation, including the RSPB which urged the Devolved Administrations to make similar commitments.<sup>51</sup> Many environmental groups saw the new greening measures as a missed opportunity having been watered down from the Commission’s initial aspirations to make environmental requirements central to CAP payments.<sup>52</sup>

Initial reactions from a range of stakeholders were captured in a series of one-off evidence sessions by the House of Lords Select Committee on the European Union, Agriculture, Fisheries, Environment and Energy (Sub Committee D) and the November 2013 report of the House of Commons Environment, Food and Rural Affairs Committee, [Implementation of the Common Agricultural Policy in England 2014-2020](#).

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<sup>45</sup> GOV.UK, Policy: [Reforming the Common Agricultural Policy to ensure a fair deal for farmers, consumers and tax payers](#), updated on 12 August 2013 viewed on 24 September 2013 and Dear Colleague” letter from Rt Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs to MPs and Peers, 4 July 2013

<sup>46</sup> [HL Deb 30 July 2013 c.1634](#)

<sup>47</sup> Dear Colleague” letter from Rt Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs to MPs and Peers, 4 July 2013

<sup>48</sup> [ProgressOnline](#), [The long and the short of food and farming](#), 14 August 2014

<sup>49</sup> CLA News, [Defra CAP decisions may hamper agricultural development says CLA](#), 13 December 2013

<sup>50</sup> NFU Online News, [Make sure English farmers are not shafted](#), 17 July 2013

<sup>51</sup> RSPB, [Farming reform signals tough times ahead for wildlife](#), 26 June 2013

<sup>52</sup> [Wildlife and Countryside Link](#) (whose members, include Greenpeace, Friends of the Earth and the Council for the Protection of Rural England) [Briefing for MEPs: Funding for more sustainable agriculture: modulation and co-financing](#), August 2013.

## 3.2 Ireland

### **Irish Government**

The Irish Government considered the CAP reform deal to be a very balanced package and felt it delivered a policy which would secure the sustainable development of the agri-food sector to 2020 and beyond.

The redistribution of direct payments had been identified as the most difficult issue for Ireland and the Government were happy with the final agreement which they felt would ensure a fairer system of direct payments without undermining the efforts of those in receipt of higher payments for their farming enterprises. The Government were also satisfied with the greening measures proposed under the new CAP and with the strong emphasis placed on supporting young farmers into the future.<sup>53</sup>

### **Stakeholders**

In general farming organisations welcomed the agreement as it brought a level of certainty to farmers. Although there was disappointment over some aspects, the final outcome was considered less damaging than original proposals for active and progressive farmers. The [Irish Farmers Association](#) (IFA), [Irish Creamery Milk Suppliers Association](#) (ICMSA) and [Irish Cattle and Sheep Farmers' Association](#) (ICSA) all publicly opposed cuts to the SFP to fund coupled payments and [Macra na Feirme](#) (the voluntary, rural youth organisation) felt that the reform did not go far enough to support and encourage active farmers.

BirdWatch Ireland was disappointed with the results and considered the reforms would not support greater sustainability across Irish and European farms.<sup>54</sup>

## 3.3 Northern Ireland

### **Ministerial response**

The Department for Agriculture and Rural Development (DARD) Minister, Michelle O'Neill welcomed the CAP reform outline agreement reached in June 2013.<sup>55</sup> The Minister believed that the outline agreement met many of the modifications that she had wished to see made to the original proposals in order to better meet the needs of the local industry and other rural stakeholders. The Minister identified the following elements as particular positives for Northern Ireland:

- The transition of support towards a flat rate regime, the agreement will allow DARD to plot an orderly movement towards flat rate support which balances the various sectoral interests;
- The greening arrangements are much more suited to the needs of grass based agriculture.
- The ability to monitor permanent grassland at regional level rather than at individual farmer level as originally proposed, avoids an unnecessary bureaucratic burden for both farmers and administrators;
- The increased thresholds for crop diversification and Ecological Focus Areas, are much more suited to the circumstances of grassland agriculture; and

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<sup>53</sup> [Minister's online newsletter](#), Issue 8, 24 September 2013 [accessed on 26.09.2013]

<sup>54</sup> BirdWatch Ireland, [Final CAP deal stripped of intended environmental benefits](#), 26 June 2013

<sup>55</sup> [Northern Ireland Executive \(News\)](#), [CAP reform deal struck in Luxembourg](#), 26 June 2013

- The ability to take implementation decisions at a regional level, meaning that decisions can be taken locally without impinging on decisions being taken in other regions and vice versa, which also enables the shaping of the implementation of the support framework to meet the balance of local needs.

Despite these ‘wins’, the Minister also expressed her disappointment at the failure to restrict agricultural support to genuinely active farmers. Minister O’Neill also made it clear that she intended to undertake public consultation exercises on policy options for Pillar 1 (Direct Payments) and Pillar 2 (Rural Development Programme) prior to DARD making any final decisions on implementation.

### **Stakeholders**

In general terms, the finalised CAP deal has been viewed as a better deal for Northern Ireland’s farmers than what was originally proposed. The Ulster Farmers’ Union (UFU) welcomed what they described as a ‘workable’ deal for Northern Ireland, which would ‘...ensure that our farmers continue to receive vital financial support at a time when the market is failing to deliver.’<sup>56</sup>

Building on themes covered by Minister O’Neill, the UFU and others have welcomed changes to the original proposals in the areas of direct support transition, greening, ploughing of carbon rich soils and the regional flexibility built into the deal. Many farmers however, still believe that more needs to be done on the active farmer issue to ensure that support goes to those actually involved in production. The UFU and other farming organisations have also continued to express concern around the reduced Pillar 1 budget, and the potential transfer of money from Pillar 1 to Pillar 2 is an issue that has generated significant opposition.

From an environmental perspective, local representative bodies have generally expressed disappointment with the finalised CAP deal due to what they see as the watering down of environmental protection/enhancement measures. In addition and more specifically, the likely significant reduction to the Pillar 2 budget in Northern Ireland has been met with concern at the potential impact on agri-environment schemes. The potential for transferring money from Pillar 2 to Pillar 1 has also raised concerns for many of the environmental organisations, who believe any such transfer would further degrade the ability for Pillar 2 to deliver environmental protection/enhancement.

## **3.4 Scotland**

### **Scottish Government**

The Scottish Government recognised that the agreement would allow it to reduce red tape; clamp down on slipper farming; provide support to new entrants; and address declining livestock numbers through coupled support – all things that the Government had wanted. On coupled support, the Scottish Government was disappointed that there would not be a level playing field, with the same level of coupling allowed throughout Europe. The Scottish Government was particularly disappointed at the outcome on the budget, both the Pillar 1 and 2 allocations to the UK, and particularly the way the budget was being shared within the UK, which would see Scotland have lower rates per hectare in both pillars than every Member State.<sup>57</sup>

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<sup>56</sup> Ulster Farmers’ Union, *Finalised CAP deal workable for N.Ireland*, 27 June 2013

<sup>57</sup> Scottish Parliament, *Official Report of 3 October 2013*: c.23303-59

## **Stakeholders**

The National Farmers Union of Scotland (NFUS) called on the Scottish Government to clarify as soon as possible how it intended to implement the change from historic to area-based payments in Scotland. It suggested that area payments should be weighted towards productive land, but with a sufficient level of coupled support to livestock producers, especially those on less productive land, to prevent destocking.<sup>58</sup>

Scottish Environment Link, a consortium of over 30 Scottish environment bodies, called for area payments under the basic payments scheme to be targeted towards High Nature Value farmland. Link estimates greening payments in Scotland will be worth c. £130m per year, around three times the current expenditure on agri-environment schemes. Link is disappointed at the EU's lack of ambition for these payments, and the fact that farm level requirements for many farmers in Scotland who are not arable farmers is likely to be non-existent.<sup>59</sup>

## **3.5 Wales**

### **Welsh Government**

The outcomes of the negotiations on CAP reform were broadly welcomed by the Welsh Government which stated that the final position had taken account of the issues facing the Welsh agricultural industry.<sup>60</sup> However, the Welsh Government expressed disappointment at the overall reductions agreed to the CAP budget.<sup>61</sup> The Welsh Government initially consulted on implementation of direct payments in July 2013 publishing its initial decisions in January 2014 and further decisions following publication of the Delegated Acts in July 2014. Consultations on proposals for the content of next rural development plan were held in January 2013, January 2014 and February 2014.

### **Stakeholders**

Stakeholders in Wales broadly welcomed the fact that it had been possible to reach a political agreement but there was a mixed reaction to the content of what was agreed. Some stakeholders welcomed the flexibility provided to Member States to tailor the new CAP requirements while others expressed concern that it could impact the relative competitiveness of Welsh farmers depending on the implementation decisions made.<sup>62</sup> Environment organisations expressed disappointment that a number of the greening elements were watered down but stated that the flexibility provided to Welsh Ministers could still enable decisions to be made that would benefit the environment.<sup>63</sup>

## **3.6 European Organisations**

The agreement was broadly welcomed by all three European institutions. The then Commissioner for Agriculture, Dacian Cioloş outlined his belief that the agreement would lead to far reaching change while Members of the European Parliament expressed their view that the negotiation process had demonstrated the importance of the co-decision procedure.

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<sup>58</sup> NFUS, [All must seize CAP window of opportunity](#). News release of 3 October 2013 and NFUS, [Union calls for fair deal as CAP deadlines loom](#). News release of 8 October 2013.

<sup>59</sup> Scottish Environment Link. [Parliamentary briefing on CAP Reform](#), 3 October 2013.

<sup>60</sup> Welsh Government Cabinet Statement, [Reform of the Common Agricultural Policy](#), 9 July 2013

<sup>61</sup> Welsh Government, Cabinet Statement, [The Common Agricultural Budget for Wales 2014-2020](#), 8 November 2013

<sup>62</sup> National Assembly for Wales, Environment and Sustainability Committee, [CAP Reform Roundtable Discussion](#), 17 July 2013

<sup>63</sup> RSPB, [Farming reform signals tough times ahead for wildlife](#), 26 June 2013

Speaking at the time the Irish Minister Simon Coveney who led the negotiations on behalf of the Irish Presidency of the Council welcomed the agreement as 'historic' and 'balanced'.<sup>64</sup>

European stakeholder organisations have put forward a broadly similar view to those of national stakeholders. Copa-Cogeca (the EU representative body for farming unions and farming cooperatives) welcomed the outcome of the negotiations. In general the environment sector expressed disappointment at the outcome with the European Environment Bureau stating that the green aims of the reform had been left in 'tatters'.<sup>65</sup>

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<sup>64</sup> Irish Presidency EU, *Historic Day for Common Agricultural Policy as Irish Presidency steers European Institutions to landmark reform deal*, 26 June 2013

<sup>65</sup> European Environment Bureau, *Green CAP Reform in Tatters*, 26 June 2013



## 4 Distribution of the CAP budget

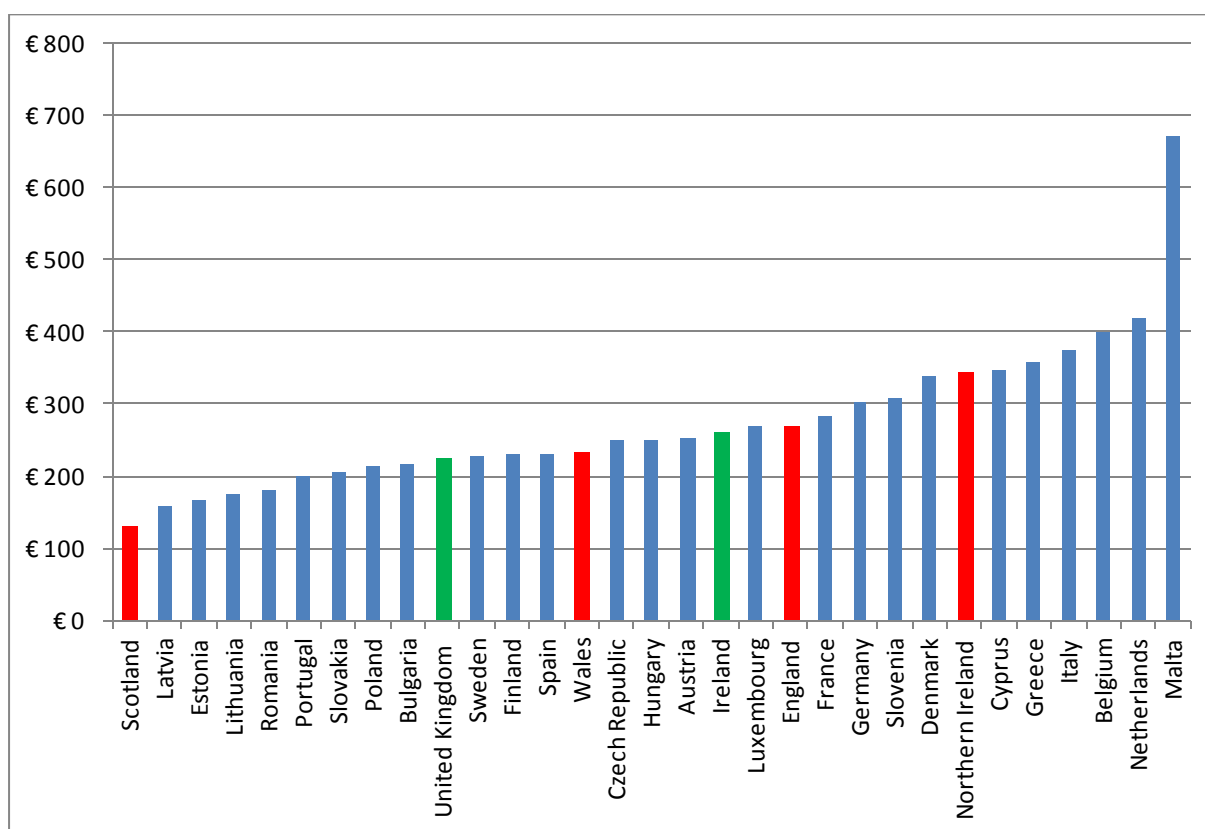
The current payment levels across the UK and in Ireland will very much influence many of the implementation decisions taken by the relevant administrations. Within the UK, the announcement by the UK Government that CAP allocations will remain the same for the next round of funding will also set the boundaries within which the decisions on resources can be made.

The reform package has required a levelling out of payments either by reduction or redistribution of Pillar 1 payments as well as decisions regarding how much can be taken from Pillar 1 to fund Pillar 2 objectives. There are also options to transfer money from Pillar 2 to Pillar 1 and options to help small farmers etc. Therefore, a good deal of modelling has had to be done to assess the optimum outcomes.

### 4.1 Current payment levels

Figure 4 below shows the average Pillar 1 payment per hectare from 2014-20.

**Figure 4 – Average Pillar 1 payments per hectare per year 2014-20**



**Source:** Scottish Government, [CAP Budget: Potential Funding Levels for Scotland for 2014-2020](#), October 2013, and calculations based on figures in Tables 4 and 5. The calculations for England, Northern Ireland, Scotland and Wales use 2014-20 budget allocations but are based on the areas claimed in 2012, the figures for other Member States are based on the 2014-20 budget allocations and on areas eligible for payments in 2009.

Figure 4 shows that Northern Ireland (€346) will receive payments of above the EU average of €268/ha. England (€270) and Ireland (€262) will receive payments close to the average, and Wales (€232) and Scotland (€130) below the average. The UK's average payment (€224) is also below the EU average.

Figures included in the 2010 Pack report on the future of agricultural support for Scotland showed that in 2009 under Pillar 1 England, Ireland and Northern Ireland received above the EU 27 average per hectare with Northern Ireland receiving the highest amount per hectare. Wales received payments in line with EU average per hectare and Scotland received significantly less than the average per hectare.

Table 3 below updates the Pack Report figures for 2012, and also calculates the average Pillar 1 funds per claimant which show the same trends in terms of relation to the EU average.

**Table 4 - Average Pillar 1 payment per hectare 2012**

Country	Total Pillar 1 Envelope €m	Number of Eligible Hectares (million)	Pillar 1 €/ha hectare (% of EU average)	Number of eligible claimants	Pillar 1 € eligible claimant
England	2615	8.7	301 (115%)	103,952	25,162
Ireland	1320	4.7	280 (107%)	132,031	9,976
Northern Ireland	351	0.95	369 (141%)	37,420	9,390
Scotland	653	4.48	146 (56%)	18,670	35,020
Wales	357	1.38	258 (99%)	16,550	21, 544

**Source:** Derived from Rural Payments Agency (personal communication); Department of Agriculture, Food and the Marine (personal communication); Department for Agriculture and Rural Development (personal communication); Scottish Government (personal communication), figures for eligible recipients is for Single Farm Payment; and Welsh Government (personal communication)

Calculating an accurate average per hectare comparative figure for Pillar 2 support is complex as many rural development plans contain schemes that aren't distributed on a land basis (i.e. schemes that support rural SMEs). For this reason these figures haven't been included within this paper.

## 4.2 2014-2020 Allocations – difficulty in making comparisons

Over the 2014-2020 period the total value of the CAP (in 2011 prices) will be €373.19 billion, of which Pillar 1 direct payments will account for €277.85 billion and the rural development programme €84.9 billion.<sup>66</sup>

Over the seven year period, Ireland will receive approximately €3.5 billion in direct payments and €2.2 billion in rural development support. The UK will receive approximately €25.1 billion in direct payments and €1.84 billion in rural development support. Table 6 below sets out how the support the UK will receive will be divided between the four countries. The UK will receive an uplift in its Pillar 1 budget from 2014-20 under the external convergence mechanism, where Member States that receive less than 90% of the EU average payment per hectare close the gap between their average payment and 90% of the EU average by one-third by 2019. This uplift is worth around €10m in 2015 rising to €60m in 2019, a total of

<sup>66</sup> European Council, *Conclusions – Multiannual Financial Framework*, February 2013

€230m over the period. The reactions to the intra-UK allocations are described in section 4.3-4.8.

The fact that the majority of CAP payments will now be made on an area basis, and the fact that the EU has agreed an average minimum area payment to be achieved at Member State level by 2019 has created an interest in calculating and comparing average payment rates between countries, and arguing about their fairness. Within the four countries of the UK Scottish politicians and farmers unions have pointed to the much lower average payment per hectare in Scotland compared to England and Northern Ireland. This has been countered with the response that Scotland's larger farms mean Scottish farmers receive more per farm, than their English and Northern Irish counterparts.<sup>67</sup>

Given the significant flexibility provided to Member States to make decisions on how they will distribute direct payments e.g. speed at which they move towards area based payments, whether they implement coupled support, and the rate of transfer between pillars, making comparisons between the funding types or groups of farmers will receive across countries is complex. The allocation of new payment entitlements in some of the countries means that the figures for the 2014-2020 period are not possible to calculate at this time, because e.g. the area payments under the Basic Payment Scheme will depend on the areas claimed, which will not be known until the end of 2015.

Calculating meaningful and accurate per hectare or per claimant figures for Pillar 2 rural development support is even more complex given that many rural development plans contain schemes that aren't distributed on a land basis for example schemes that support SMEs in rural areas. For these reasons the figures are not presented in this paper.

**Table 5 - UK CAP allocations 2014-2020**

	<b>Pillar 1 / € million (approx non-inflation adjusted)</b>	<b>% share</b>	<b>Pillar 2 / € million (approx non-inflation adjusted)</b>	<b>% share</b>
England	16,421	65.5	1,520	58.9
Northern Ireland	2,299	9.2	227	8.8
Scotland	4,096	16.3	478	18.5
Wales	2,245	8.96	355	13.7
<b>Total allocation UK</b>	<b>25.1 billion</b>		<b>2.6 billion</b>	

Note: Figures are in nominal terms (i.e. they have not been adjusted for inflation over the period)

Source: UK Government, November 2013.<sup>68</sup>

## **Rural Development**

Member States are required to provide at least minimum levels of co-financing for the rural development support they receive from EU funds. Member States can opt to fund above the

<sup>67</sup> See e.g. NFUS, *Pressure for Fair CAP Deal Mounts*, 26 November 2013 and Scottish Parliament Rural Affairs Climate Change and Environment Committee, *Official Report of 23 April 2014*: Cols 3552 - 56

<sup>68</sup> .GOV.UK Press Release, *CAP allocations announced*, 8 November 2013

minimum co-financing rates if they so wish. Member States are also given the option under the new CAP to transfer up to 15% from their Pillar 1 direct payment allocation to fund Pillar 2 measures or 15% from Pillar 2 to Pillar 1. Member States wishing to make transfers in 2014 were required to notify the European Commission of their decision by 31 December 2013. Member States who have not transferred funds in 2014 could have decided to do so from 2015 to 2019, and had to notify the European Commission of this decision by 1 August 2014. Member States can review these decisions and any changes must be notified to the Commission by 1 August 2017, and will apply from 2018 onwards. This review can only increase the amount transferred.<sup>69</sup> For those Member States that get less than 90% of the EU average for direct payments (which includes the UK) they can transfer up to 25% from Pillar 2 to Pillar 1.

In England, the UK Government has already committed to a review in 2016 into the demand for agri-environment schemes and the competitiveness of English agriculture with the intention of moving to a 15% transfer rate from Pillar 1 to Pillar 2 in 2018 and 2019.<sup>70</sup>

Within Northern Ireland, and in light of the Pillar 1 to Pillar 2 zero transfer rate, DARD Minister Michelle O'Neill has stated that:

‘...it is critical that we review that decision at the first opportunity. It will need to be done by 1 August 2017, as permitted by the European regulations. The regulations allow for the transfer rates for scheme years 2018 and 2019 to be increased, which will bring additional investment into the programme in those years.’<sup>71</sup>

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<sup>69</sup> Article 14 Council Regulation 1307/2013 *op. cit.*

<sup>70</sup> [HC Deb 15 January 2014 c. 304 WH](#)

<sup>71</sup> [Northern Ireland Assembly, Official Report, Session: 2013/2014, 13th January 2014](#)

**Table 6: Rural Development Plan Budgets 2014-2020 (billion €)\***

Country	EAFRD Contribution  € million (approx non-inflation adjusted)	Government Co-financing  € million (approx non-inflation adjusted)	Transfers between Pillars** (Transfer rate)  € million (approx non-inflation adjusted)	Total  € million (approx non-inflation adjusted)***
<b>England</b>	1,520	698	1940 (12%)	4,421
<b>Northern Ireland</b>	227	532	0	759
<b>Ireland</b>	2,190	1,900	0	**** 4,007
<b>Scotland</b>	478	838	364 (9.5%)	1,680
<b>Wales</b>	355	480	287 (15%)	<b>1,122</b>

\*= Does not include all funds transferred as a result of capping direct payments.

\*\*= as planned at September 2014 Member States are provided with different options during 2014-2020 to increase transfer amounts depending on the decision they made for the first year of the scheme.

\*\*\*=figures for England and Wales converted from £ to € at the planning rate of €=£0.80. Figures for Northern Ireland converted from £ using a rate of €= £0.82. Figures for Scotland converted from £ using a rate of €= £0.83 which was used by the Scottish Government

\*\*\*\*=The difference between the EAFRD contribution and the total value is to be provided by Exchequer funding but this has not yet been formally adopted by the European Commission

**Source:** Table 19 in Defra, *The Rural Development Programme for England, 2014 to 2020: Final Impact Assessment*, April 2014; and personal communications with DARD, Scottish Government and Welsh Government.

### 4.3 Distribution of the CAP budget within the UK

On the 8th November 2013, and following intensive negotiations, the UK Government formally announced that farmers in England, Northern Ireland, Wales and Scotland would receive the same proportion of the UK's overall 2014-20 Common Agricultural Policy (CAP) budget as they currently receive. This means that the reductions in CAP funds will be shared equally between England, Northern Ireland, Scotland and Wales. Owen Paterson, the then UK Secretary of State for the Environment said that the UK Government had worked closely with farmers and ministers across the devolved administrations to "make sure that this is fairly allocated across the UK".<sup>72</sup>

<sup>72</sup> .GOV.UK Press Release, *UK CAP allocations announced*, 8 November 2013

Over 2014-2020 the UK is expected to receive €25.1 billion in direct payments and €2.6 billion in Pillar 2 funds for the environment and rural development.<sup>73</sup> These allocations represent a reduction in real terms of 12.6% and 5.5% respectively compared with CAP payments to the UK in the period 2007-2013.<sup>74</sup>

The UK will receive an uplift in its Pillar 1 budget from 2014-20 under the external convergence mechanism. This uplift complicated the intra-UK negotiations as the Scottish Government had been arguing that the full uplift should be allocated to Scotland because it is Scotland's own existing low payments which enable the UK to qualify for the uplift. DARD Minister Michelle O'Neill reported that "negotiations were difficult and protracted" because of Scotland "pushing hard for an increased share". The agreement reached was welcomed by both the Northern Ireland and Welsh agriculture ministers but the Rural Affairs Minister for Scotland, Richard Lochhead, called the settlement 'disgraceful'.<sup>75</sup>

#### 4.4 England

English farmers seemed to agree with the UK Government that the CAP allocations within the UK were fair. England will receive a Pillar 1 (direct payment) allocation of around €16,421 million, and a Pillar 2 allocation around of €1,520 million equating to around 66.5% of the total UK Pillar 1 allocation and 59% of the total UK Pillar 2 budget.<sup>76</sup>

The Presidents of the NFU, NFU Cymru and the Ulster Farmers' Union welcomed the UK CAP allocation decision in a joint statement describing the decision as a "fair settlement for farmers across the United Kingdom" and one which allowed the four governments to now make further decisions on CAP implementation with a clear idea of available resources in the next seven year period. They were pleased that Ministers had listened to their representations and had decided to "to resist pressure from Scotland for an increased share that would have been at the expense of other parts of the UK".<sup>77</sup>

#### 4.5 Scotland

The Scottish Government has published an [analysis](#) of current and future average Pillar 1 and Pillar 2 allocations per hectare for each Member State, and for Scotland. This shows that currently only two Member States (Estonia and Latvia) receive a lower average Pillar 1 payment per hectare rate than Scotland, and that due to the external convergence mechanism their average payment will be higher than Scotland for 2014-20.<sup>78</sup>

The Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead MSP, made a statement in the Scottish Parliament about the allocation of the CAP budget on Tuesday 12 November 2013.<sup>79</sup> The Cabinet Secretary said that the deal would leave Scotland with the lowest per hectare funding in Europe, lower than that of every Member State in both pillars of the CAP. He described this as an extremely serious situation which he said the Scottish Government deeply regretted.

He explained that the external convergence formula meant that, had Scotland been a Member State, it would have received an additional €1 billion in Pillar 1 CAP funding from 2014-20, because Scotland's average Pillar 1 payment is currently so far below the EU average payment per hectare. He highlighted that whilst Scotland's low average payment is

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<sup>73</sup> Ibid

<sup>74</sup> Ibid

<sup>75</sup> Scottish Government News Release, [Scotland's CAP budget cut](#), 8 November 2013

<sup>76</sup> Ibid

<sup>77</sup> NFU Press Release, [Farming Unions joint statement to welcome CAP](#), 8 November 2013

<sup>78</sup> Scottish Government, CAP, 19 October 2013

<sup>79</sup> Scottish Parliament, *Official Report – Statement on CAP Budget Allocation*, 12 November 2013.

offset by the higher average payments received by farmers in Wales, England and Northern Ireland, the UK would nonetheless receive €223 million from the external convergence mechanism, which, he argued was a direct result of the Scotland's low allocation. The Scottish Government has called for *all* of this money to be allocated to Scotland.<sup>80</sup> This call has received cross party support in the Scottish Parliament.<sup>81</sup> The allocations announced on 8 November 2013 would see Scotland receiving just 16% of the additional funds the UK is receiving through external convergence.

The Cabinet Secretary explained that as a result of the decisions on the allocation of CAP funding within the UK, Scotland's Pillar 1 budget would fall from €597 million in 2013 to €580 million in 2014, and then increase slightly to €587 million by 2019. This would leave Scotland with an average payment of €128 per hectare in 2019 (less than half of the EU average). He pointed out that while the UK Government had sought to justify this on the basis that Scotland received more per farm, the UK Government had itself argued against using per farm comparisons in the EU negotiations as they were a "misleading and irrelevant measure".

The Cabinet Secretary told the Parliament that it had been agreed that there would be a review of the allocation of CAP funds in 2016-17, but that this would only consider allocations in the next EU funding period from 2021 onwards.

The Cabinet Secretary's statement also covered Scotland's allocation from Pillar 2. Scotland will receive €477.8 million or 18.5% of the UK's allocation. This is the same proportion as from 2007-13 and would give Scotland €12 per hectare from Pillar 2, one-sixth of the EU average, and 15 to 20 times less than the levels received by Austria and Slovenia.

The National Farmers Union of Scotland (NFUS) expressed "deep disappointment" at the outcome but said the commitment to a review "could bring real long-term benefits to Scottish farming." The NFUS called for this review to put in place a process that "will eventually see arable producers in Berwickshire receive the same level of support as those in Norfolk or hill farmers in the Highlands get equivalent support to those farming in the Lake District". The NFUS has written to the European Commission to ask for its view on the way the UK Government has chosen to allocate the additional funds that the UK is receiving through internal convergence, and it is also seeking legal advice on the UK CAP budget allocation.<sup>82</sup>

#### 4.6 Northern Ireland

Northern Ireland will receive a Pillar 1 (direct payment) allocation of around €2,299 million, and a Pillar 2 allocation around of €227 million equating to around 9% of the total UK Pillar 1 allocation and 9% of the total UK Pillar 2 budget.

DARD Minister Michelle O'Neill was "extremely pleased" to announce that Northern Ireland had succeeded in retaining its historic budget share – the outcome she had been seeking. This will deliver an additional €20million in support between now and 2019. She commented:

I believe that this represents the fairest possible outcome as the existing budget distribution reflects the nature and agricultural production characteristics across all of the regions.

I have already voiced my disappointment that the EU Budget deal will leave us with reduced budgets, but as a result of today's decision, the risk of any further

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<sup>80</sup> Scottish Government News Release, *Extra EU cash call*, 3 October 2013.

<sup>81</sup> Scottish Government News Release, *Cross-party CAP funding call*, 14 October 2013.

<sup>82</sup> NFUS Press Releases, *No immediate uplift in CAP budget allocation*, 8 November 2013 and *Union Seeks Commission Clarity on Convergence*, 12 November 2013

reduction has been avoided. This provides welcome clarity on the CAP monies available in the north and now allows us to move on to decide how these should be best used for the long term benefit of the rural economy and environment.”<sup>83</sup>

The President of the Ulster Farmers Union (UFU), Harry Sinclair also welcomed the budget announcement as a “fair decision” and “good news for farmers here in Northern Ireland”. The UFU had argued for the allocations to remain as they were as they were “broadly reflective” of the agricultural capacity of the area to which they were allocated. He stressed that the importance of the CAP, to Northern Ireland, could not be underestimated in terms of enabling farmers to produce affordable food, create jobs, look after the countryside and maintain rural communities.<sup>84</sup>

#### 4.7 Wales

Wales will receive a Pillar 1 budget of €322 million per annum by 2019 based on current prices. This will give Wales an 8.96 % share of the UK’s budget ceiling. It will receive €355 for its Pillar 2 allocation over the 2014-20 period.

The then, Minister for Natural Resources and Food, Alun Davies, welcomed the decision as the ‘best outcome for Wales’.<sup>85</sup> The then Minister stated that despite his regret over the position taken by the UK Government in the EU budget negotiations he was pleased that it has decided to be even handed across the UK.

NFU Cymru issued a joint statement with the NFU and the Ulster Farmers’ Union (see section 4.4 above) which welcomed the decision. The Farmers’ Union of Wales also welcomed the announcement. FUW President Emyr Jones stated:

“We welcome Defra minister Owen Paterson’s announcement today even though we are well aware that the overall budget has been cut by 12.6 per cent in real terms, It was imperative that Wales, at the very least, maintained the same proportion of CAP Pillar 1 monies that it currently benefits from and we are pleased that the union’s lobbying and the Welsh Government’s negotiations has resulted in a fair deal for farmers in Wales.”<sup>86</sup>

#### 4.8 Future distribution of the CAP budget in Ireland

On the 14th January 2014, the Minister for Agriculture, Food and the Marine, Simon Coveney TD, announced the allocation of more than €12.5 billion in CAP and exchequer funding to the agriculture sector in the period to 2020. This €12.5 billion is made up of €8.5 billion in EU funding that will be paid in direct payments to farmers in the period to 2020 and a further €1.9 billion in national funding which will be added to the €2.2 billion (€313 million/year) EU funding already secured for expenditure on rural development.<sup>87</sup>

According to the Department of Agriculture, Food and the Marine’s (DAFM) [RDP 2014-2020 Consultation Paper](#) of 24<sup>th</sup> January 2014, while an EU allocation of €2.19 billion is available to Ireland, €2.037 billion of this is allocated to measures to be delivered via the Department of Agriculture, Food and the Marine (DAFM). The remaining €153 million of the EU funding is

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<sup>83</sup> DARD Press Release, [O’Neill successfully defends CAP budget allocation, DARD press release](#), 8 November 2013

<sup>84</sup> Ulster Farmers’ Union Press Release, [Confirmation that CAP budget share retained in Northern Ireland](#), 8 November 2013

<sup>85</sup> Welsh Government Cabinet Statement, Minister for Natural Resources and Food, Alun Davies, [The Common Agricultural Policy budget for Wales 2014-2020](#), 8 November 2013

<sup>86</sup> FUW News Release, [FUW welcomes retention of CAP funding allocation for Welsh farmers](#), 8 November 2013

<sup>87</sup> DAFM, [Coveney announces support of more than €12.5 billion for the agriculture sector](#), 14 January 2014.



allocated to the Department of the Environment, Community and Local Government for the delivery of measures via the LEADER mechanism. In addition, some elements of smaller, locally focused agriculture schemes such as water quality/biodiversity/EIP groups, outcome based conservation projects and artisan food cooperation measures could also be delivered through local structures such as LEADER. It is proposed that an overall national co-financing rate of 46% will be applied to the measures under the RDP to be delivered by DAFM.

## 5 Implementation of the CAP in the UK and in Ireland

### 5.1 Direct payments

#### ***More differences than similarities?***

The large degree of flexibility afforded to Member States and their regions in CAP 2014-2020 means that very different direct payment packages have emerged across the UK and in Ireland. The Department of Agriculture and Rural Development (DARD) in Northern Ireland identified that it had 80 possible decision points which illustrates the potential for local decision-making.<sup>88</sup> In practice, there is far more divergence across the UK and in Ireland, in terms of CAP 2014-20 packages, than there is commonality.

Key differences in approach that have emerged are:

- **Modulation:** Different rates of transfer of funds from Pillar 1 to Pillar 2: in Ireland and Northern Ireland, zero transfer (at least initially); in Scotland 9.5%; England 12%; and Wales 15%. These include some of the higher transfers among Member States with transfers of 3% for France and 4.5% for Germany in the same direction.<sup>89</sup>
- **Basic Payment rates:** Ireland and Northern Ireland will have a flat-rate for the Basic Payment Scheme, with the same rate per hectare for all land types. England, Scotland and Wales will have different rates based on land types, with differences between each country in the way the land types are defined and the payment rates for each type.
- **Voluntary coupled support:** Scotland will have coupled support for beef calves and hill sheep in the most fragile payment region; and Ireland will have coupled support for protein crops. England, Northern Ireland and Wales will not have coupled support. The latter are among only a small number of EU Member States/devolved administrations not using this support, which also includes Germany and The Netherlands.<sup>90</sup>
- **Capping of payments:** In Ireland and Northern Ireland there will be a cap of €150,000 on the amount that any farmer can receive under the Basic Payment Scheme. In Ireland there will be an additional limit of €700 as the maximum payment possible per hectare. In Wales, the cap will be set at €300,000 progressive reductions above €150,000. In Scotland, the cap will be €500,000. In England, there will be no cap, and the 5% reduction in payments over €150,000 will apply.

There are some common themes. The UK administrations and Ireland are:

- Initially applying the greening measures directly, not by means of a National Certification Scheme.

The UK administrations and Ireland are *not*:

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<sup>88</sup> Northern Ireland Assembly Research and Information Service Briefing Paper, *Current Status of CAP implementation in the UK and Ireland*, 17 April 2014

<sup>89</sup> IEEP, CAP 2020: *Member State implementation of the CAP for 2015-2020 - a first round-up of what is being discussed*, 16 April 2014

<sup>90</sup> *Ibid*

- Establishing Small Farmer Schemes or using the option to top up payments to farmers in Areas of Natural Constraint (although the UK Government will review this situation for England in 2015).
- Adding to the negative list of activities (except Scotland which is adding sporting estates)

Table 7 overleaf sets out the latest position on implementation in each country of the UK and in Ireland.

### ***Cross border issues (intra-UK)***

If those applying for basic payments have land in more than one region of the United Kingdom, they can only apply to one Paying Agency to receive payment for the entire holding. This needs to be the Paying Agency responsible for the region where most of the holding is located.

Businesses that farm in England and somewhere else in the UK will also need to meet the greening rules at holding level. This means that they will need to count all of their land in the UK as one and make sure that they meet the new rules across all of their land as a whole.

The flexibility in implementation decisions across the UK generates some complications with this approach. For example there are differences in the areas and features counted as EFAs across the UK. So holdings will have to ensure that each area or feature they use qualifies as an EFA for the part of the UK that it is in.<sup>91</sup>

This has particular implications for organisations such as the RSPB and National Trust.

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<sup>91</sup> Defra, *The new Common Agricultural Policy schemes in England: August 2014 update*, August 2014, p.36

**Table 7: Implementation of the CAP 2014-20 in the UK and in Ireland**

	<b>England<sup>92</sup></b>	<b>Ireland<sup>93</sup></b>	<b>Northern Ireland<sup>94</sup></b>	<b>Scotland<sup>95/96</sup></b>	<b>Wales<sup>97</sup></b>
<b>Transfers between pillars</b>	<p><b>From 2014-2019, 12% transfer from Pillar 1 to Pillar 2.</b></p> <p>Review will be held in 2016 into the demand for agri-environment schemes and the competitiveness of English agriculture with the intention of moving to a 15% transfer rate from Pillar 1 to Pillar 2 in 2018 and 2019.<sup>98</sup></p>	<p><b>Zero transfer from Pillar 1 to Pillar 2 for 2014</b></p> <p><b>No decision made for 2015-19</b></p>	<p><b>Zero transfer from Pillar 1 to Pillar 2</b></p> <p>A combination of lack of political consensus and legal intervention has meant that a zero transfer from Pillar to Pillar 2 has been registered for 2014-19. There is provision to revisit this issue by the no later than 1<sup>st</sup> August 2017, and if decision was made to increase the rate this would apply for the years 2018-19</p>	<p>From 2015-20, <b>9.5% transfer from Pillar 1 to Pillar 2.</b></p>	<p><b>Maximum allowable transfer of 15% from Pillar 1 to Pillar 2 for 2014-2020.</b></p>
	<b>Zero transfer from Pillar 2 to Pillar 1.</b>	<b>Zero transfer from Pillar 2 to Pillar 1</b>	<b>Zero transfer from Pillar 2 to Pillar 1.</b>	<b>Zero transfer from Pillar 2 to Pillar 1.</b>	<b>Zero transfer from Pillar 2 to Pillar 1.</b>
<b>Eligibility</b>	<p><b>Minimum claim size to be 5 ha to achieve best value for money.</b> (The current minimum claim size for the SPS in England was 1 ha)</p>	<p><b>Will not be applying a minimum area/value for allocation of entitlements but will apply minimum requirement of €100 to be eligible to</b></p>	<p><b>Minimum claim size of 3ha.</b></p>	<p><b>Existing minimum claim size of at least 3 ha of eligible land will remain.</b></p>	<p><b>A minimum claim size of 5ha will be applied for direct payments but 3ha will remain for those wishing to enter the agri-environment scheme Glastir.</b></p>

<sup>92</sup>Defra, *Consultation on the implementation of CAP reform in England - Summary of responses and Government response*, December 2013, Defra, and *Consultation on the implementation of CAP reform in England - Summary of responses and Government response on remaining issues*, Defra 14 February 2014,

<sup>93</sup>DAFM, *Coveney announces support of more than €12.5 billion for the agriculture sector*, 14 January 2014; Oireachtas personal communications with DAFM officials, 19 March 2014; DAFM, *Minister announces decisions on the coupled protein aid and other aspects of the CAP greening measures*, 2 July 2014 and DAFM, *Coveney submits draft of €4 billion rural development programme to EU Commission*, 3 July 2014.

<sup>94</sup>DARD, *CAP Pillar 1 Direct Payments - Summary of Decisions*, 11th July 2014 Update

<sup>95</sup>The Scottish Government *Consultation on future CAP direct payments in Scotland from 2015* December 2013.

<sup>96</sup>Scottish Government, *FAQ on Greening*, 7 October 2014

<sup>97</sup>Welsh Government, *The Common Agricultural Policy Reform - Direct payments to Farmers: Decisions*, January 2014, Welsh Government Cabinet Statement, *Further Decisions on Pillar 1 of the Common Agricultural Policy*, 1 July 2014, Welsh Government, *Your Guide to the Basic Payment Scheme in Wales*, 14 July 2014

<sup>98</sup>HC Deb 15 January 2014 c. 304 WH

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	Setting a threshold by area, rather than value, to avoid setting a lower threshold than currently exists, except for moorland.	receive direct payments.			
	<p>Eligible land will be defined in similar way as now with certain features being ineligible.</p> <p>UK Government announced in October 2014 that land parcels with solar panels on them will not be eligible. This includes the land between, underneath and around the panels, even if it is being grazed, or is accessible for grazing.</p> <p>This also means that farmers cannot count this land, or any features on it (such as buffer strips), as an Ecological Focus Area (EFA).<sup>99</sup></p>	<p>Eligible land will be land that is grazed or otherwise kept in Good Agricultural and Environmental Conditions (GAEC).</p> <p>The minimum activity on agricultural areas which are mainly areas naturally kept in a state suitable for grazing or cultivation has been fixed as a grazing requirement equivalent to one ewe per hectare.</p>	<p>Definition of land eligible for direct payments will differ little from that under the current system.</p> <p>Grazed heather will continue to be eligible.</p> <p>No reduction coefficient will be applied for the purposes of establishing entitlements on permanent grassland located in areas constrained by climatic conditions, soil quality, steepness and water supply</p> <p>No reduction coefficient will be applied to land used to activate entitlements where grasses and other herbaceous forage are not predominant but which is grazed as part of established local practice</p>		<p>The Welsh Government has stated that eligible land is expected to be similar to the Single Payment Scheme in that it is <b>agricultural land (an area taken up by arable, permanent grassland or permanent crops) that is used for an “agricultural activity”</b>.</p> <p>A claimant must control non-native invasive weeds and scrub, ensure land has stock proof boundaries and a water source for livestock.</p>

<sup>99</sup> Defra, *The new Common Agricultural Policy schemes in England: October 2014 update*, 28 October 2014

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	<p>Single Farm Payment Scheme entitlements (held on 31 December 2014) will be rolled forward into the new scheme</p> <p>Common land will be eligible but Defra is still working on detailed rules.<sup>100</sup></p>		<p>Agricultural areas under permanent greenhouses will not be excluded from being used to establish entitlements.</p> <p>Set both the minimum area for which entitlements can be requested in 2015 and the minimum claim size at 3 hectares.</p>		
<b>Active farmers</b>	<p><b>No addition to the ineligible, non-agricultural activities set out in the EU negative list.</b> (to keep the system as simple as possible.<sup>101</sup>)</p>	<p><b>No addition to the ineligible, non-agricultural activities set out in the EU negative list.</b></p>	<p><b>No addition to the ineligible, non-agricultural activities set out in the EU negative list.</b></p>	<p><b>Non-agricultural sporting estates will be included on the negative list of land types which are ineligible for payment from 2015.</b></p>	<p><b>No addition to the ineligible, non-agricultural activities set out in the EU negative list.</b></p>
	<p><b>Adopting threshold of a €5,000 annual direct payment (the highest allowed) for applying the "negative list" of business types that will be ineligible for direct payments.</b></p> <p>A farmer who received €5,000 or less for the previous scheme year (before any penalties were applied or cross</p>	<p><b>Farmers must also be farming, keep land in GAEC and reach a minimum activity on marginal-type land.</b></p> <p><b>Minimum activity not yet established but is likely to be minimum stocking rate currently implemented for disadvantaged area</b></p>	<p>Option to exclude any claimant (not just those on the negative list) from receiving payments if their agricultural activities form only an insignificant part of their overall agricultural activities and/or whose principal activity or company objects do not consist of exercising an agricultural activity will not be used.</p>	<p>To be eligible for payments, farmers and crofters must exercise an agricultural activity as follows:</p> <p>Production, rearing or growing of agricultural products, including harvesting, milking, breeding animals and keeping animals for farming purposes, or...</p>	<p>Any companies included on the negative list wishing to prove that their <b>agricultural activities are not insignificant</b> would need to demonstrate that <b>one-third or more of total receipts</b> are from agricultural activities.</p> <p><b>Any companies wishing to demonstrate that their principal business or company objective is agricultural activity</b> would need to provide</p>

<sup>100</sup> Defra, *The new Common Agricultural Policy schemes in England: August 2014 update*, August 2014

<sup>101</sup> Defra, *Consultation on the implementation of CAP reform in England - Summary of responses and Government response*, December 2013

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	<p>compliance reductions were made) – for either SPS or BPS (including the greening payment and any young farmer payment) – will automatically qualify as an active farmer.</p> <p>If a farmer didn't claim for SPS or BPS in the previous year, the RPA will work out whether they reach the €5,000 threshold. They will do this by multiplying the number of eligible hectares of land the farmer declares in the scheme year, by the average payment rate for England for the previous scheme year.</p>	<p><b>payment.</b></p>	<p>A decision on the claim threshold for the application of the active farmer test will be taken later in light of further Commission clarification.</p> <p>To qualify for basic payment claimants must enjoy the decision making power, benefits and financial risks in relation to the agricultural land for which an allocation of entitlements is requested.</p> <p>Threshold for exempting businesses from the compulsory test which applies to those on the negative list will be set at €5,000. Businesses receiving direct payments at or below €5,000 in a given year will not be subject to this test in that year</p>	<p>Maintaining an agricultural area in a state suitable for grazing or cultivation, or...</p> <p>Carrying out a minimum activity (to be defined) on agricultural areas which are mainly areas naturally kept in a state suitable for grazing or cultivation.</p> <p>The full conditions for admittance of those on the negative list, the identification of land naturally kept and the minimum level of agricultural activity are still being developed.</p>	<p><b>documents from Companies House or from an accountant</b> stating that their <b>principal business activity is agriculture, horticulture, forestry, farming, animal or plant husbandry.</b></p> <p>In relation to minimum agricultural activity on land naturally kept in a state suitable for grazing, farmers where over half their holding is made up of saltmarsh or coastal dunes will need to either undertake a minimum level of grazing (0.01-0.05 European livestock units per hectare a year) or maintain stock proof fencing and provide fresh water for livestock or control non-native invasive weeds and scrubs.</p>
<b>Entitlement allocations</b>	<p><b>Existing SPS entitlements will automatically become BPS entitlements on 1 January 2015.</b></p>	<p><b>The existing entitlements will be extinguished on 31 December 2014 and will be replaced by new entitlements under the Basic Payment Scheme in 2015.</b></p>	<p><b>All existing entitlements will be cancelled at the end of 2014 and entitlements reallocated based on the area of eligible land declared in 2015</b></p>	<p><b>In 2015 eligible, active farmers will be allocated the number of payment entitlements equivalent to whichever is smallest of the number of eligible hectares declared in 2013 or 2015.</b></p>	<p><b>Historical entitlements will be extinguished on 31<sup>st</sup> December 2014 and new entitlements will be issued in 2015.</b></p>

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	<p>This means that the number of entitlements a farmer holds on 31 December 2014 will be rolled forward into the new scheme.</p> <p><b>However, if a farmer holds more entitlements in 2015 than eligible hectares at that time excess entitlements will be cancelled.</b></p>	<p>New entitlements will be allocated to those who received a direct payment under the 2013 scheme year or who can provide evidence of farming activity in 2013.</p> <p>The number of entitlements will be based on the number of eligible hectares declared in 2013 or 2015, whichever is less.</p> <p>The value of the new entitlements will be based on the value of entitlements owned under the 2014 scheme year.</p> <p>The value of any payment received in 2014 under the Grassland Sheep Scheme will also be incorporated into the calculation of the 2015 value for relevant farmers</p>	<p>Those who have never held SFP entitlements will be allocated BPS entitlements under the new regime if they can provide verifiable evidence of production activity on 15th May 2013.</p> <p>Additional eligibility criteria regarding appropriate skills, experience and/or education will not be applied.</p> <p>The number of entitlements that can be established 2015 will not be restricted to the number of eligible hectares declared in 2013</p> <p>Entitlements held in 2014 will be used as the basis for calculating a claimant's initial Basic Payment per hectare</p>	<p>Farmers will be able to apply for entitlements for the new Basic Payment Scheme if they are able to demonstrate agricultural activity, e.g. having activated a Single Farm Payment entitlement in 2013, or by having other verifiable evidence of farming activity.</p>	<p>New entitlements will be issued to farmers who either activated at least one SPS entitlement in 2013 or who are able to evidence that in 2013 they produced, reared or grew agricultural products. Farmers in the latter category will be able to apply for entitlements in November 2014.</p> <p>In 2015 the unit value of entitlements will be based on the value of entitlements held in 2014 as opposed to 2014 payment values.</p>
<b>Internal Convergence</b>	<p><b>England not subject to same internal convergence requirements</b> within new CAP as a result of achieving 100% area payment by 2012.</p>	<p><b>Will be implementing the Partial Convergence Model</b> whereby all farmers will move towards a national average value over the 5 years of the scheme but will not reach a flat rate by 2019. <b>On convergence no farmer will have an entitlement that is less than 60% of average by 2019.</b></p>	<p><b>Transition towards a flat rate will be achieved by 2021 – 7 year transition period commencing in 2015.</b></p> <p>Arrangements after 2019 will depend on future CAP reform BPS entitlements initially below the regional average will be increased by 71.4% of the difference between their</p>	<p><b>The transition from historic to area payments will be made in equal steps from 2015 to 2019</b></p>	<p><b>There will be a 5 year transition period to area based payments with claimants receiving 100% area based payments by 2019.</b></p>



	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
			initial unit value and the regional average over the 2015-19 period.		
	<p><b>Maintain current three regions as currently defined</b> – lowland, land in SDA and other than moorland, and SDA moorland.</p> <p>There will be a shift of payments “uphill” to equalise the direct payment rates for the Severely Disadvantaged Areas (SDAs in non-moorland) and lowland regions.</p> <p>In <a href="#">May 2014, the Government confirmed</a> that there will also be an increase in the moorland payment by the same cash amount as the SDA. This will almost double the rate for moorland farmers to about €70 per hectare.<sup>102</sup> (equalised SDA and lowland rate will be around €244/ha).<sup>103</sup> Defra</p>	<p><b>Sub regions will not be used.</b></p>	<p><b>Northern Ireland will operate as a single region</b></p> <p>BPS entitlements initially above the regional average will be subject to a linear decrease applied to the difference between the initial unit value and the regional average over the 2015-19 period. The linear decrease is likely to be close to 71.4%</p>	<p>There will be <b>three payment regions</b>, and the budget has been partitioned between these regions.</p> <p>The exact amounts paid per hectare will depend on the amount of eligible land claimed under the new schemes, but indicative rates for basic payment and greening payment combined are:</p> <p><b>Payment Region 1</b> (around 1.8m hectares) - €225/ha This will include parcels of better quality agricultural land that have been typically used for arable cropping, temporary grass and permanent grass.</p> <p><b>Payment Region 2</b> (around 1m hectares) - €35/ha. This will include parcels of better quality rough grazing which have been designated as Less Favoured Area (LFA) grazing categories B, C, D and non-LFA.</p>	<p>Area based payments will be distributed on a <b>3 land region model of moorland, SDA, DA and lowland combined.</b></p> <p>Moorland is classified as areas at 400 metres or higher within the body of land mapped as having Moorland vegetation in 1992.</p> <p>A technical review process to consider applications to change the classification of land from one payment region to another has been established.</p> <p>Indicative payments rates for the land categories are: Moorland- €20 per ha, SDA, €200 per ha and DA and Lowland Entitlements €240 per ha.</p> <p>Entitlements can only be activated for payment or transferred within the region for which they were created therefore there will</p>

<sup>102</sup> [HC Deb 7 July 2014 c.129](#)

<sup>103</sup> [CAP reform in England: your questions answered](#), *Farmers Guardian*, 2 June 2014

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95,96</sup>	Wales <sup>97</sup>
	believes that this will keep average income in farms across the uplands at approximately their current levels relative to the rest of the economy. <sup>104</sup>			<p>Payment Region 3 (around 2m hectares) €10/ha This will include parcels of the poorest quality rough grazing which have been designated as LFA grazing category A</p> <p>LFA grazing categories were assigned to land parcels in the LFA in 2003 based on stocking rates in 2001.</p>	be no transfer between regions.
<b>Greening</b>	<p><b>Direct implementation</b> of the greening measures for simplicity and to avoid disallowance<sup>105</sup></p> <p><b>Will not introduce a National Certification Scheme</b> – view taken that any benefits accrued would be outweighed by additional delivery risks and complexity for farmers and enforcement agencies</p>	<p><b>The Greening payment will be calculated</b> as a percentage of the Basic Payment Scheme entitlements activated each year.</p>	<p><b>The equivalence option will not be used</b></p> <p>Greening payment will be calculated as a percentage of the total value of BPS entitlements activated by claimants each year.</p> <p><b>Over time the value of the greening payment per hectare will move towards a flat rate payment</b> at the same pace as the movement of the Basic Payment.</p>	<p>30% of Scotland's Pillar 1 budget will be allocated to the Greening payment. Greening payments will be paid on an area basis and will vary depending on the payment region of the land claimed.</p> <p><b>The Scottish Government has been working with the European Commission on an equivalence scheme for Greening in Scotland,</b> which would make use of the flexibilities offered by alternative options for Greening in the EU regulations. <b>It has not been possible to finalise this equivalence scheme in time to meet the deadline for notifying it to the</b></p>	<p><b>The equivalence option will not be used - will not make use of a National Certification Scheme.</b></p> <p>Will implement the three default greening rules on crop rotation, permanent grassland and ecological focus areas.</p>

<sup>104</sup> Defra, [Consultation on the implementation of CAP reform in England: Government decision on the moorland rate](#), May 2014, para 6

<sup>105</sup> Defra, [Consultation on the implementation of CAP reform in England: Government decisions on greening](#), June 2014

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
				European Commission to be able to introduce it in 2015. The Scottish Government will continue work on equivalence measures with the intention of introducing them in 2016.	
<b>Greening-Crop Diversific'n</b>	<p><b>Standard Greening practices</b></p> <p>However, seeking greater flexibility with European Commission on evidence required to show compliance.<sup>106</sup></p>	<p><b>Introducing equivalent practices as provided for in the EU Regulations.</b></p> <p>Those arable farmers, who are participants in the GLAS scheme and who undertake to plant winter cover on their tillage lands will be deemed to have met their crop diversification requirement by carrying out an equivalent measure under an agri-environment scheme. There will need to be an adjustment made to their GLAS payment to ensure there is no double funding under both schemes.</p>	<p><b>Standard Greening practices</b></p>	<p><b>Standard Greening practices</b></p> <p>For 2016 the Scottish Government is seeking to implement as an alternative to the crop diversification requirement – to provide soil cover over a minimum area of the arable land. The method of soil cover has still to be agreed with the Commission but may include retention of stubble or establishing a catch crop</p>	<p><b>Standard Greening practices</b></p> <p><b>The Welsh Government has estimated that some 86% of farms over 20 ha and 98% of smaller farms in Wales could be exempt from crop diversification requirement. This is because they would fall under the derogation for both crop diversification and EFA which exempts farms where 75% of the eligible agriculture area is classified as permanent pasture.</b></p>

<sup>106</sup> Defra, *The new Common Agricultural Policy schemes in England: August 2014 update*, August 2014, p.23

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
<b>Greening – permanent grassland</b>	<p><b>Will apply the requirement to control permanent grassland at a national level.</b></p> <p>Will not be designating any additional areas of environmentally sensitive grassland in which a no-plough rule shall apply. Consultation responses were unclear as to the value of such legislation when set alongside existing grassland protection</p>	<p><b>Will apply the requirement to control permanent grassland at a national level.<sup>107</sup></b></p> <p>While there is no obligation imposed at the level of individual holding, if a decrease in the ratio of more than 5% occurs, individual farmers will be obliged to reconvert land back to permanent grassland.</p>	<p><b>Will apply the requirement to control permanent grassland at a national level.</b></p> <p>Ploughing/conversion ban will not be extended beyond the areas of permanent grassland within areas designated under the Habitats and Birds Directives – decision will however be kept under review</p>	<p><b>Will apply the requirement to control permanent grassland at a national level.</b></p> <p>Environmentally Sensitive Grasslands are those in Natura sites. All unimproved semi-natural grasslands in Scotland are protected under the Environmental Impact Assessment (Agriculture) (Scotland) Regulations 2006. Farmers wishing to improve these grasslands without first determining whether an EIA is required.</p> <p>For 2016 the Scottish Government is seeking to implement as an alternative to the requirement to retain permanent pasture at national level and not convert environmentally sensitive grassland at farm level – for farmers to undertake, for all permanent grassland: soil analysis; create a nutrient management plan; and retain records of all fertiliser applications.</p>	<p><b>Will apply the requirement to control permanent grassland at a national level.</b></p> <p>In relation to the permanent grassland definition shrubs and trees which are grazed and heathland will be included.</p> <p>The designation will apply to all permanent grassland in terrestrial SSSIs, excluding sites designated solely for geological or earth science features.</p>

<sup>107</sup> DAFM, *CAP 2015 - An introduction to Direct Payments*, March 2014, p.26

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
<b>Greening – Ecological Focus Area (EFA)</b>	<p>Initially said would select full list of options available for EFAs but have selected:</p> <ul style="list-style-type: none"> <li>• Land lying fallow</li> <li>• buffer strips</li> <li>• catch and cover crops used to manage soil fertility and quality</li> <li>• Nitrogen Fixing Crops such as legumes (peas and beans) and hedgerows.<sup>108</sup></li> </ul> <p>Government has described the inclusion of hedgerows as a difficult decision because of the need to have a simple system that also optimises environmental benefits.<sup>109</sup></p> <p>All claims need to be validated and ultimately every hedge in the country digitally mapped. This may mean later payments</p>	<p>Eligible areas – areas eligible as EFAs are:</p> <ul style="list-style-type: none"> <li>• Land lying fallow where there shall be no production;</li> <li>• Hedges/wooded strips ≤10m;</li> <li>• Trees in a group and field copses of max 0.3ha in both cases;</li> <li>• Ditches ≤6m, including open watercourses for the purpose of irrigation or drainage; buffer strips – inc those along watercourses also required to be kept under Nitrates Regulations and in future, under Sustainable Use of Pesticides Directive;</li> <li>• SPS eligible forestry which were afforested under afforestation aid scheme since 2009;</li> <li>• areas with short rotation coppice with no use of mineral</li> </ul>	<p>Eligible EFA features:</p> <ul style="list-style-type: none"> <li>• Land lying fallow</li> <li>• Landscape features required to be retained under cross compliance (will include hedges, ditches and stone walls)</li> <li>• Areas of agro-forestry</li> <li>• Areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products</li> <li>• Afforested areas which were used to claim SFP in 2008</li> <li>• Areas with nitrogen fixing crops</li> </ul>	<p>EFA in Scotland can comprise any of the following practices:</p> <ul style="list-style-type: none"> <li>• Fallow – with no production</li> <li>• Buffer strips along water courses or water bodies between 2m and 20m wide – with no agricultural production – cutting is permitted;</li> <li>• Field margins between 1m and 20m wide with no agricultural production.</li> <li>• Hedges and ditches defined as landscape features under GAEC on field boundaries will count as part of this field margin;</li> <li>• Catch crops – crops to be established on arable land between 1st March and 1st October 2015</li> <li>• Nitrogen fixing crops subject to simple management prescriptions which benefit biodiversity while being compatible with crop production</li> <li>• Or a combination of the above</li> </ul>	<p>Ecological Focus Areas will include:</p> <ul style="list-style-type: none"> <li>• Land lying fallow</li> <li>• Hedges and traditional stone walls,</li> <li>• Short rotation coppice,</li> <li>• Afforested areas used to claim SFP in 2008 and</li> <li>• Nitrogen fixing crops.</li> </ul> <p><b>The Welsh Government has estimated that some 86% of farms over 20 ha and 98% of smaller farms in Wales could be exempt from the EFA requirements. This is because they would fall under the derogation for both crop diversification and EFA which exempts farms where 75% of the eligible agriculture area is classified as permanent pasture.</b></p>

<sup>108</sup> Defra, *Consultation on the implementation of CAP reform in England: Government decisions on greening*, June 2014

<sup>109</sup> Decisions on greening requirements, para 4

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	for those using this option. Defra has warned farmers that taking this option that they may be requested to submit claims earlier and may need to expect payments later. <sup>110</sup>	<p>fertilizer and/or plant protection products;</p> <ul style="list-style-type: none"> <li>• areas with N-fixing crop, farmers shall grow those N-fixing crops which are included in a list established by the MS – protein crops;</li> <li>• areas under catch crops / green cover including green cover established as part of the requirements under the Nitrates Directive.</li> </ul> <p>Finally, the Minister has decided to implement the conversion and weighting factors provided for in the Regulations.</p>		<p>Fallow for EFA purposes must be set aside between 15 January to 15 July</p> <p>Spring cereal crop undersown with grass will count under the Catch Crops category of Ecological Focus Areas – an important point for many livestock producers with some arable area</p> <p>The requirement to grow more than one Nitrogen Fixing Crop if it is to count as Ecological Focus Areas (EFAs) will apply from 2016, not in 2015.</p>	
<b>Small Farmers Scheme (SFS)</b>	<b>No Small Farmer Scheme</b>	<b>No Small Farmer Scheme</b>	<b>No Small Farmer Scheme</b>  (irrespective of decisions taken on the minimum claim size under the Basic Payment Scheme)	<b>No Small Farmer Scheme</b>	<b>No Small Farmer Scheme</b>
	<b>Not requiring participants to meet additional eligibility criteria.</b> <sup>111</sup>	<b>Additional educational criteria will ensure payments are made to genuine young farmers</b>	<b>A Level II qualification in agriculture (or related subject containing at least</b>		<b>No additional educational criteria will be applied</b>

<sup>110</sup> Defra Press Release, [CAP greening criteria announced](#), 10 June 2014

<sup>111</sup> [Consultation on the implementation of CAP reform in England - Summary of responses and Government response on remaining issues](#), Defra 14 February 2014 (Section 2)

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
		– namely those who have completed a recognised course of education in agriculture giving rise to an award at FETAC level 6 or its equivalent.	a farm business management module) will be a requirement for Young Farmers' Scheme eligibility		
<b>Voluntary Coupled Support</b>	<b>No reintroduction of any coupled support schemes</b>	<b>From 2015, €3 million of the national ceiling will be set aside for coupled protein crop aid.</b>	<b>No coupled support at present.</b>	<b>Coupled support for beef and sheep</b>	<b>No coupled support</b>
		The rate of payment will be €250/ha provided the ceiling of €3 million is not exceeded in any scheme year. The protein crops eligible for aid will be peas, beans and sweet lupins.	Option will however be kept under review in light of potential future market developments	The exact terms of the coupled support arrangements are still being worked on and are subject to agreement with the rest of the UK. <b>Scotland intends to use 8% of its revised national ceiling for coupled support payments to the beef industry</b> with up to 0.5% being used for further top up payments for the beef producers on the islands. Payments will be made for calves with 75%+ beef genetics which are born on Scottish holdings. Producers on Scottish islands will receive higher rates than mainland producers. The payments will depend on the total number of eligible calves claimed once the scheme is in operation but indicative payment rates have been suggested of	

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
				<p>€100 per calf for mainland producers; and €160 per calf for island producers.</p> <p><b>Scotland also intends to introduce coupled support for the sheep sector.</b> This would only be available for farmers with land in Payment region 3. Payments would be made to sheep producers in payment region three and would be around €25 per ewe. For administrative simplicity the payment may be paid per ewe lamb in eligible areas, since hill sheep farmers would typically keep around ¼ the number of ewe lambs as ewes, the payment per eligible ewe lamb would be around €100.</p>	
<b>Less Favoured Area / Areas of Natural Constraint top up</b>	Will not be introducing payments linked to an ANC designation at the present time but will reconsider the position in respect of ANC designation in 2015.	No Pillar 1 ANC Scheme.	No Pillar 1 ANC scheme will be pursued at this stage.	No Pillar 1 ANC scheme.	No Pillar 1 ANC scheme.
	Government views the existing arrangements for SDAs reflect the difficulties of upland farming.	It is intended to continue with the current levels of support under Pillar II with no Pillar I scheme.  Under Pillar II a new	A payment will be made to farmers in Severely Disadvantaged Areas (SDA) from Pillar II under the RDP in 2016 and 2017 (i.e. for	Support for LFA/ANC in Scotland will be supported through Pillar 2 (see section 5.2 below).	



	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	Has halted all mapping for now for this purpose and will reconsider in 2015 whether to resume it, when changes to some of the processes may have also been introduced by the European Commission. <sup>112</sup>	category of support will be introduced in 2015 to specifically compensate for the particular challenges faced by Island Farmers.	claims registered in the 2015 and 2016 scheme years respectively) and reviewed for following years. Eligibility conditions will remain as they are now but there will be no cattle bonus.  It is hoped that a one year transitional payment for farmers in the current Disadvantaged Area (DA) can be made (subject to State Aid Rules) in 2015/16.  There are no plans for redesignation of LFAs in advance of 2017.		
<b>Capping</b> <i>(Greening Payments and Payments under the Young Farmers' Scheme or Voluntary Coupled Support are not subject to capping or degressivity)</i>	<b>Will operate reduction option with the minimum level set out in the regulation i.e. reduction of 5% on basic payment amounts above €150,000. No salary mitigation option.</b>	<b>€150,000 is set as a maximum payment for basic entitlements. By 2019 no farmer will receive more than €700 per hectare (including greening payment).</b>	<b>BPS payment to any given recipient will be capped at €150,000 (ie 100% reduction applied to amounts above this threshold.</b>  <b>No salary mitigation option.</b>	<b>In addition to the 5% degressivity for basic payments above €150,000 there will be a cap of €500,000.</b>	<b>Progressive capping applied above €150,000.</b> Farmers in Wales receiving payments of €150,000-€200,000 will be capped by 15%, between €200,000-€250,000 by 30%, between €250,000-€300,000 by 55% and payments of €300,000+ by 100%.  <b>No salary mitigation option.</b>
	Government does not want to disincentivise				

<sup>112</sup> Defra, *Implementation of CAP reform in England: Consultation*, October 2013, para 2,25

	England <sup>92</sup>	Ireland <sup>93</sup>	Northern Ireland <sup>94</sup>	Scotland <sup>95/96</sup>	Wales <sup>97</sup>
	<p>expansion or encourage splitting to avoid payment reductions.</p> <p>Consultation responses were split between applying minimum 5% or making EURO 150,000 the most a farmer can receive. House of Commons EFRA Committee called for an increase in rate of reduction of direct payments for those receiving over EURO 300,000.</p>				
<b>National Reserve</b>	<p><b>Approx 3% of the total BPS budget for England will be used to set up a National Reserve in 2015.</b><sup>113</sup></p> <p>Each year, a national reserve will be used to create entitlements for young farmers and new farmers.</p> <p>'Active farmers' will be able to apply for entitlements from the national reserve if they are: a 'young farmer',</p>	<p><b>Maximum (3%) allowed BPS ceiling will fund the National Reserve.</b></p> <p>As per the Regulation, Ireland will give priority to Young Farmers and New Entrants to farming.</p> <p>Additional criteria will be required whereby all applicants must have completed a recognised course in agriculture giving rise to an award at</p>	<p>A level II qualification in agriculture (or related subject containing at least a farm business management module) will be a requirement for young farmers and new entrants to receive an award from the regional reserve.</p>	<p>The Scottish Government is continuing to work on the detailed arrangements for the National Reserve</p>	<p>No additional criteria will be set for new entrants accessing the reserve.</p> <p>In addition to new entrants, the reserve will be accessible to those who didn't activate entitlements in 2013 due to 'force majeure or exceptional circumstances, to top up where reductions are made because of over demand in the first allocation of entitlements or to increase the value of entitlements if the reserve is more than</p>

<sup>113</sup> Defra, [The new Common Agricultural Policy schemes in England: October 2014 update](#), 28 October 2014

	<b>England<sup>92</sup></b>	<b>Ireland<sup>93</sup></b>	<b>Northern Ireland<sup>94</sup></b>	<b>Scotland<sup>95/96</sup></b>	<b>Wales<sup>97</sup></b>
	<p>or a 'new farmer' (also known as 'new entrant').</p> <p>They must also have at least 5 ha of eligible land 'at their disposal' on 15 May 2015.</p> <p>Young farmers and new farmers will both have to show that they are 'in control' of their agricultural business. They must be either: a sole trader, a partnership, or a legal person (for example, a limited company).</p> <p>More information about how new farmers will qualify, including what evidence they need to provide, will be available later in 2014.</p>	<p>FETAC Level 6 or its equivalent.</p> <p>The option to cater for specific individuals under the 'force majeure' provision and specific groups under the 'specific disadvantage' category is under consideration.</p>			0.5% of the budget ceiling.

## 5.2 Rural Development Programmes

The origins of a formalised and specific EU Rural Development Policy can be traced back to the Agenda 2000 reform of the Common Agricultural Policy. The Agenda 2000 reform saw the creation of Pillar 2 within the CAP with an overall aim of putting in place *'...a consistent and lasting framework for guaranteeing the future of rural areas and promoting the maintenance and creation of employment.'*<sup>114</sup>

The 2014-20 Rural Development Programme accounts for more than €95 billion of the EU's budget over the 2014-20 period, money which is drawn from the European Agricultural Fund for Rural Development (EAFRD). The 2014-20 Rural Development Programme will be implemented through national and/or regional rural development programmes (RDPs) which run for seven years.

To account for the overall CAP reform objectives and the EU's Europe 2020 Strategy which commits economic growth within the EU to being smart, sustainable and inclusive, 3 long term strategic objectives for rural development within the 2014-20 period have been identified as follows:

- improving the competitiveness of agriculture;
- the sustainable management of natural resources and climate action; and
- a balanced territorial development of rural areas.

These three strategic objectives were also 'fleshed out' through six priorities as follows:

1. Fostering knowledge transfer in agriculture, forestry and rural areas.
2. Enhancing the competitiveness of all types of agriculture and enhancing farm viability.
3. Promoting food chain organisation and risk management in agriculture.
4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry.
5. Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in agriculture, food and forestry sectors.
6. Promoting social inclusion, poverty reduction and economic development in rural areas.

All Member States/Regions are required to build their Rural Development Programmes on at least four of these priorities.

In turn, each rural development priority identifies more detailed areas of intervention ("focus areas"). Within their RDPs, Member States / regions set quantified targets against these focus areas, on the basis of an analysis of the needs of the territory covered by the RDP. They then set out which measures they will use to achieve these targets and how much funding they will allocate to each measure.<sup>115</sup>

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<sup>114</sup> European Commission, *CAP Reform : Rural Development, Directorate-General for Agriculture, 1999*

<sup>115</sup> Europa, [Rural development](#) as viewed on 28 October 2014

## England

The UK Government submitted its plans for its Rural Development Programme (RDP) to the European Commission in June 2014 and published a [Rural Development Programme for England: Outline of new programme](#) on 10 June 2014. There is also an [impact assessment](#) for the programme (March 2014) which provides a provisional budget breakdown.<sup>116</sup>

The new Rural Development Fund in England will start in 2015 and the Government will make more information available in autumn 2014. This will set out the details of how the Government will invest, manage, monitor and evaluate the rural development schemes. It is currently finalising the schemes that will become available and developing guidance and application processes.

The 12% modulation rate for England means a spend of over £3.5bn on the next Rural Development Programme, rising to around £3.65bn with an increased transfer rate of 15% from 2018. Almost £3.1bn will be spent on the environment through the New Environmental Land Management Scheme (NELMS) over the life of the new programme rising to nearly £3.2bn (the amount currently spent) if the transfer rate rises to 15% in the last two years.

Defra has reported that consultation responses have confirmed the Government's view that the current RDP has delivered good value for money overall and the new programme has the potential to improve this through better targeting.<sup>117</sup> The consultation also highlighted support for broader coverage of socio-economic issues such as the need to support social housing, broadband, transport and rural service provision.<sup>118</sup>

The proposed £3.5bn England Rural Development Programme 2014-20 will have a particular emphasis on the environment, growth and productivity and innovation and skills. It has three key themes:<sup>119</sup>

*Managing the environment (£3.1bn including £2.16bn already allocated to schemes<sup>120</sup>)*

A new Environment Land Management Scheme (NELMS) will replace the current Environmental Stewardship Scheme. It will make funding available for farmers, foresters or other land managers, in order to restore, conserve and enhance the natural environment. It is intended to be easier to apply for than the current schemes combining the best parts of the existing Environmental Stewardship (ES) and English Woodland Grant schemes (EWGS).

Its overall focus will be biodiversity and it will seek to maximise opportunities to deliver biodiversity, water quality and flooding benefits together as well as outcomes for the historic environment, landscape quality and character, genetic conservation and educational access.

The new scheme will be more targeted and focused than previous agri-environment schemes and will prescribe particular options to applicants according to targeted maps to ensure that Government environmental objectives, particularly relating to biodiversity, are met and that synergies in areas and between options are optimised where possible.

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<sup>116</sup> Defra, [The Rural Development Programme for England: Final Impact Assessment](#), 10 April 2014

<sup>117</sup> Defra, [Consultation on the implementation of CAP reform in England: Summary of responses and Government response](#), December 2013, para 5.20

<sup>118</sup> Ibid, para 5.18

<sup>119</sup> Defra, [Summary of the latest position of the RDP programme and the measures that will be supported between 2014 and 2020](#), 10 June 2014

<sup>120</sup> Defra Press Release, [New environmental scheme for farmers to prioritise biodiversity](#), 26 February 2014

In the first year of the new Rural Development Programme in 2015, the funding opportunities for environmental land management through water capital grants and woodland grants will be introduced in stages. From 1 January 2016, multi-year agreements will be available, starting on the first of January each year. Applications can be submitted from July 2015. From 2016 onwards capital only agreements will be available to start at any point during the year.

Before the full suite of agreements and grants become available in 2016, the UK Government will make woodland grants available to support woodland creation. This meets Ministerial commitments to ensure woodland grants are available during the 2015 planting season.<sup>121</sup> Capital grants will also be available in 2015 for infrastructure which helps improve the water environment.

#### *Increasing farming and forestry productivity (£140m)*

To assist innovation, use of new technology, skills and training and collaboration in the sector and between land-based sectors.

#### *Growing the rural economy*

Local Enterprise Partnerships will have £177 million to spend on rural priorities including supporting small/micro businesses, investing in broadband and renewable energy and promoting rural tourism

In addition LEADER schemes (via Local Action Groups) will have a budget of £13.9m in rural areas on the rural economy and on creating jobs.

### ***Ireland***

Ireland's RDP (2014-2020) will have a total budget of €4 billion. The main provisions of the RDP Schemes are as follows:

#### *GLAS (total allocation of €1,450m over the lifetime of the RDP):*

The new Agri-Environment Scheme (GLAS) will provide for a maximum payment of €5,000 for up to 50,000 farmers. The targeted structure of the Scheme has been refined following the recent public consultation. In particular, the requirement for 80% of active farmers to participate in collective action on commonage has been replaced by a 50% rate applying to either 50% of active farmers or 50% of the total commonage land area. An independently chaired implementation group will be established to address issues that arise on the ground. It is expected that this Scheme will deliver substantial biodiversity, water quality, climate change, and other environmental benefits (see Annex 1 for the outline of the GLAS structure).

In addition to the basic GLAS, farmers who take on particularly challenging environmental actions may qualify for a top up payment of up to €2,000 per annum under GLAS+. For example, farmers who reach the full €5,000 maximum under GLAS on the back on mandatory Tier 1 actions will get priority access to GLAS+.

Some of the main payment rates under GLAS include:

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<sup>121</sup> Defra, [The new Common Agricultural Policy schemes in England: October 2014 update](#), 28 October 2014

- An annual rate of €120 per hectare will apply for the actions applicable on commonages. This is a substantial increase on the €75 rate available under AEOS.
- The low input permanent pasture action will attract a payment of €314 and traditional hay meadow actions will attract a payment of €315 per hectare each year.
- New measures to help the conservation of important wild bird species will attract rates of between €205 to €375 per hectare per year.

GLAS will also include a Traditional Farm Buildings Measure. Support will be available for an amount not exceeding 75% of total costs up to a maximum grant of €25,000

#### *Areas of Natural Constraint including Island Farmers (€1,370m)*

The current levels and structure of payments under the Areas of Natural Constraint (ANC) Scheme (formerly known as the Disadvantaged Areas Scheme) will continue, pending the reassessment of the areas covered by the Scheme on the basis of new biophysical criteria which must be in place by 2018.

A new top up payment for a separate category of Island Farmers has now been incorporated in the structure of the ANC Scheme. This top up will compensate for the particular challenges faced by Island Farmers. Where a farmer is resident on an island an additional €150 per forage hectare will be payable, subject to the maximum of €250 per hectare up to 34 hectares. Where the farmer is not resident on the island the top up rate is €75 per forage hectare.

#### *On Farm Capital Investment (€395m)*

In relation to On Farm Capital Investment, the allocation for the new Targeted Agricultural Modernisation Scheme (TAMS) II has been increased significantly to €395m. It is intended that the initial strands of TAMSII to be launched will include Young Farmer Capital Investment, Beef and Sheep Handling and Weighing Equipment, Dairy Equipment, Low Emission Slurry Spreading and Organic Capital Investment. TAMSII will subsequently be expanded to cover farm nutrient storage and animal housing.

#### *Locally Led Agri-Environment Schemes (€70m)*

The allocation for locally led targeted Agri-Environment Schemes has also been significantly increased to €70m over the lifetime of the RDP. This allocation will fund two flagship schemes – namely an expansion of the Burren Farming for Conservation Scheme and new projects in Freshwater Pearl Mussel Catchment areas. A number of further local targeted projects will also be identified for funding.

#### *Organic Farming (€44m)*

Following on from the recent consultation process, a significantly increased budget of €44m is being allocated to the Organic Farming Scheme in order to support growth in the sector more effectively. In addition, a dedicated Capital Investment Scheme for the organic sector has been included in TAMS II.

All rates of payment are being increased: the standard rate of payment is €220/ha for conversion with maintenance rate of €170/ha, with higher rates of €300 (conversion) and €200 (maintenance) applying for Horticulture operations, and €260 (conversion) and €170 (maintenance) for Tillage operations. In addition, a top-up of €30/ha for red-clover is included. The higher horticultural rates will apply to the first six hectares only; thereafter the standard rate applies. For tillage farmers, the higher rate ceiling is 20 ha.

### *Support for collaborative farming (€3m)*

Support for approved collaborative approaches to farming has also increased following the consultation process. This support will assist with set up costs up to a maximum of €2,500 for farmers entering into approved collaborative models, and will aim to support 1,200 new collaborative ventures.

### *Beef Data and Genomics Programme (€295m)*

The new Beef Data and Genomics Programme will build on the strong link between the sustainability of Irish beef production and maximising the contribution of Irish agriculture to national climate change initiatives. This highly innovative programme will provide support to farmers to take samples for genotyping from selected animals in their herds and to provide vital breeding data to support the development of a national cattle breeding databank. This data will provide farmers with the tools to select higher quality and more efficient breeding replacements through the use of cutting edge genomic technology. The range of actions to be undertaken provides the basis for a payment of €80 applicable to each set of actions carried out per animal.

### *Knowledge Transfer Measures (€112m)*

A suite of knowledge transfer measures will underpin the success of the new RDP, and will consist of support for Knowledge Transfer Groups across a number of sectors (including beef, sheep, dairy, equine, poultry and tillage), support for European Innovation Partnership Operational Groups, Continuous Professional Development for advisors, and targeted on farm advice in relation to key animal health and welfare issues.

## ***Northern Ireland***

The Northern Ireland Rural Development Programme (NIRDP) 2014-20 will provisionally have a total budget of £623m.

This total budget will be broken down as follows:

- £186.5m from EU;
- £186.5m from NI Executive;
- £250m additional NI Executive money to specifically fund a Farm Business Improvement Scheme.

Individual schemes will be funded under 3 themes with some provisional allocations as follows:

### *Competitiveness of Agriculture*

- Business Investment Scheme (£199m)– grant support for new technologies and/or processes, upgrading or replacement of buildings/equipment to provide better nutrient management, biosecurity etc, establish renewable energy technologies on farm
- European Innovation Partnership Groups (£0.77m) – made up of farmers, researchers, levy bodies, advisors, businesses or other interested bodies including NGOs or environmental groups with aim of advancing innovation in the agri sector



- Farm Family Key Skills (£2.7m) – will assist farmers and farm family members to adapt to the changing needs of the industry through knowledge transfer. Assistance will fund training in areas such as animal health and welfare, biosecurity, value of ICT and land and feed management
- Innovation and Technology Demonstration Scheme (£2.27m) – support for testing out and evaluating new ideas through on farm research or for adapting existing techniques practices to new geographical/environmental contexts
- Farm Exchange Visits (£1m) – will involve farmers who share a particular interest in visiting and discussing best practice with framers from other EU Member States
- Business Development Groups (£22.6m) – groups of farmers will be supported and advised on how to develop themselves and their businesses through learning from others
- Agri Food Producer Co-operation Scheme (£1.5m) – support for co-operation between primary producers, food processors, retailers and the food service sector to identify/promote/develop local markets, improved communications and develop efficient supply chains
- Food Processing Investment Scheme (up to £27.2m) – will cover the red meat, pig meat, poultry meat, eggs, milk and milk products, potatoes, horticulture and cereals sectors and will provide support to small scale and large processors.
- Forestry Competitiveness Scheme (£0.48m) – provides investment which improves the economic value of forests in 3 ways – access to forest land, investments in new forestry technologies and processing and marketing of forest products
- Co-operation Groups (other than EIP) (£1.5m) – support for the setting up and operation of co-operation groups, networks or clusters between at least 2 actors in the agriculture, food chain forestry sectors to achieve objectives of the RDP

#### *Protecting the Rural Environment*

- Agri-environment schemes (£162.2m) – will support farmers and land managers to carry out environmentally beneficial farming practices that aim to sustain and enhance biodiversity, improved water, air and soil quality, create small woodlands and help to mitigate against climate change
- Less Favoured Area Compensatory Allowances Scheme (£65m) - £25m allocated to meet claims made in 2014 and paid in 2015, with £40m allocated to meet new Areas of Natural Constraint payments in 2016 and 2017
- Forestry Measures (£16.6m) – a range of measures that will include woodland expansion, forestry plantation and woodland environment grant schemes

#### *Developing Rural Economies*

- Rural Business Investment Scheme (£27m) – will provide investment support for non-agricultural businesses
- Rural Basic Services Scheme (£15m) – will provide financial support to a range of measures aimed at tackling rural poverty and isolation
- Rural Broadband Scheme (£2m)

- Rural Tourism Scheme (£10m) – provide support to rural tourism sector projects in line with the NI Tourism Priorities for Growth. Support to include improving facilities and infrastructure, promotion and marketing and strategic tourism product development in areas including food, walking, business and natural/cultural heritage
- Village Renewal Scheme (£8m) – provide financial support in line with Village Plans in areas including relocating activities or conversion of buildings/facilities which improve quality of life or environmental performance of village
- All Island Co-Operation Scheme (£4m) – provides opportunities for co-operation between government/councils/other public funded bodies on a north/south basis aimed at tackling poverty and isolation.
- LEADER approach (up to £14m) –running costs of the Local Action Groups who will support NIRDAP applicants and programme implementation/delivery

### **Scotland**

The Scotland Rural Development Programme (SRDP) 2014-20 will have a total budget of £1.3 billion. This budget will be divided between 14 support schemes and packages as follows:

#### *Less Favoured Area Support Scheme (LFASS) £459m*

The current LFA support scheme which gives area payments for different categories of LFA land will continue, however it will be reviewed and a replacement scheme and designation will be in place by 2018 as part of the reclassification of LFAs as Areas of Natural Constraint in 2018.

#### *Forestry Grant Scheme £252m*

There will be a range of grants for woodland creation, agroforestry, tree health, woodland improvement, processing and marketing and sustainable management of forests.

#### *Agri-Environment Climate Scheme £350m*

This scheme will provide targeted support for land managers to undertake management and capital work for environmental purposes. It will also include £10 million of targeted support for slurry stores and £6 million for footpaths and other works to support access management.

#### *Support for Co-operative Action £10m*

This fund will support rural businesses working together to deliver larger environmental benefits than could be achieved by businesses on their own e.g. landscape scale ecosystem restoration programmes.

#### *Beef package £45m*

The Scottish Government has provided this new money in response to support the beef sector which is a net loser from the shift from historic to area payments in pillar 1. £32.5 million of this funding is for improving the genetic resilience of Scotland's beef herd.

#### *New Entrants Support £20m*

This scheme will provide start-up grants for new entrant young farmers. Further support will be available for new entrants, regardless of age, to access capital funding to improve their business.

#### *Crofting Support Scheme £14m*

This scheme will provide grants to crofters to take forward improvements on their crofts which will help to sustain their business.

#### *Small Farms Support Scheme £6m*

Targeted support for small farms that face similar issues as crofters regarding sustainability. The definition of small farms is currently being developed based on discussions with stakeholders.

#### *Food and Drink Support £70m*

The scheme will continue to provide support for SMEs in the food and drink sector with start-up grants for new enterprises, and business development grants.

#### *LEADER £86m*

The LEADER Programme will provide support for the implementation of Local Development Strategies across Scotland. Support will be made available through Local Action Groups who will work with communities and businesses to help them achieve their ambitions. £20 million has been allocated for specific support for small business growth, including £10 million for farm and croft diversification, which will also be made available through LEADER.

#### *Knowledge Transfer and Innovation Fund (KITF) £10m*

KITF will assist in the sharing and implementation of innovative ways of improving working practices along with continuing support for Monitor Farms.

#### *Advisory Service £20m*

This budget will support an expanded Advisory Service which will provide advice and assistance to farmers, crofters, forest holders and other land managers. This service will be tendered out, with tenders being issued early 2015. The Government expects the service to be operational in 2016

#### *Broadband £9m*

##### *Technical Assistance £15m*

This includes SRDP implementation, evaluation and monitoring, including the Scottish Rural Network for supporting and promoting rural development through the sharing of ideas and best practice.

#### **Wales<sup>122</sup>**

The Welsh Government has stated that the RDP will be worth approximately £953 million for the 2014-2020 period.

The Welsh Government undertook three consultations on the contents of the RDP including: a consultation on detailed proposals for the Glastir (agri-environment) between January-March 2014 and a consultation on detailed proposals for the new RDP between February and April 2014. The plan has been formally submitted to the European Commission and discussions on the plan were due to formally commence at the end of September 2014.

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<sup>122</sup> Welsh Government Cabinet Statement, [The Rural Development Programme 2014-2020](#), 8 July 2014, Welsh Government, [The Wales Rural Development Programme 2014-2020 Information Leaflets](#), August 2014

The Welsh Government has announced how the funds will be split between four high level themes. In doing so they have provided some broad indications of the types of support that may be offered under these themes.

*Human Capital Interventions £105 m:*

This will include knowledge transfer and advisory services.

*Asset Investment £143 m:*

This will include a new sustainable production grant providing capital support for farm modernisation and specific support for young entrants.

*Land Based Measures £527 m:*

This will mainly fund Glastir and include support for organic farming, woodland creation and management and support to tackle plant disease threats.

*LEADER and Rural Community Development Fund £95 million:*

In addition to a continuation of the LEADER approaches of previous plans a new rural communities development fund will support schemes designed to tackle rural poverty.

The Welsh Government proposals do not include funding for a standalone ANC scheme. The Deputy Minister for Farming and Food has announced that the Welsh Government will introduce a package of support for upland farms through other elements of the RDP.<sup>123</sup>

## **6 Reaction to Implementation Decisions**

### **6.1 The hotly debated topics**

The devolved nature of the latest round of CAP reform implementation is clearly illustrated by the different areas which have emerged as hot topics of debate and challenge across the UK. These are summarised in Table 8 below to provide a quick overview and are discussed in more detail in this section.

The level of modulation between Pillar 1 and Pillar 2 was a key area of debate for all administrations within the UK and in Ireland in early implementation discussions with none transferring funds at the same level but with Wales (15%) and Northern Ireland (0%) at extreme ends of the permitted range of transfer. In both Northern Ireland and Ireland the modulation rates have led to concerns about whether Pillar 2 will be adequately co-financed by the administrations.

The practicality of the greening measures and their impacts have been keenly debated by stakeholders in England, Scotland and Ireland and clarity of definitions relating to eligibility remains of concern in Northern Ireland and Scotland particularly.

Only Scotland currently has plans to use coupled support but it is also an issue for Northern Ireland where the beef sector is concerned that it will not be supported whilst Scotland seeks to provide maximum support for its beef sector.

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<sup>123</sup> Welsh Government, Cabinet Statement, [Support for the Uplands for Wales through the Rural Development Plan 2014-2020](#), 25 September 2014

**Table 2 - Most hotly debated implementation issues by administration**

<b>England</b>	<b>Ireland</b>	<b>Northern Ireland</b>	<b>Scotland</b>	<b>Wales</b>
<p><b>Transfer between pillars</b></p> <p>UK Government initially indicated it wanted a full 15% modulation from Pillar 1 to Pillar 2. This was welcomed by environmental groups but not supported by the NFU or House of Commons EFRA Committee which sought 9%. Government compromise of 12% was welcomed by the latter.</p>	<p><b>Adequate co-financing of Pillar 2</b></p> <p>Stakeholders have called for the earliest possible implementation of RDP measures, including new GLAS agri-environmental scheme (see section 6.3) with the maximum national co-financing, particularly against the backdrop of downward pressure on beef prices.</p> <p>Requirements for commonage farmers under GLAS have recently been the subject of farmer information meetings.</p>	<p><b>Adequate co-financing of Pillar 2</b></p> <p>Pressures on NI Executive budget accentuated by decision to modulate 0% from Pillar 1 to Pillar 2.</p>	<p><b>Definition of active farmer and minimum activity requirement</b></p> <p>How to prevent land which is not actively farmed being eligible for the basic payment scheme?</p>	<p><b>Transfer between pillars</b></p> <p>The Welsh Government decision to transfer 15 % from Pillar 1 to Pillar 2 for the duration of this agreement period has been strongly opposed by farming organisations but supported by some environment organisations.</p>
<p><b>Greening criteria Diversification (3 crop rule)</b></p> <p>NFU and House of Commons EFRA Committee called for a review.</p>	<p><b>Flexible Implementation of Greening Rules</b></p> <p>Implementation of the partial convergence model, which minimises the redistributive impact of the new direct payments system from 2015, means that most discussion has been focused on the implementation of the new greening requirements. While most farmers will automatically meet these requirements given the high percentage of land under</p>	<p><b>Eligibility</b></p> <p>Concerns that outstanding questions about definitions of active farmer and young farmer may lead to future disallowance</p>	<p><b>Greening</b></p> <p>Scotland has not been able to develop equivalence measures that could apply in 2015. There has been uncertainty over the greening requirements that will apply as farmers have gone into harvest in 2014 and begun their 2015 plantings.</p>	<p><b>Land categories for area based payments</b></p> <p>Moorland category will be based on 1992 mapping but farmers have stated that this had inaccuracies. The Welsh Government has therefore established an appeal process for those who can evidence inaccuracies.</p>

	permanent grassland, arable farmers have been vocal in expressing their concerns about the potential complexity and practical impact of the crop diversification and EFA requirements.			
<p><b>Ecological Focus Areas</b></p> <p>Less features included than anticipated.</p>	<p><b>Entitlements</b></p> <p>Farming associations were concerned about unfair tax penalties on transfer of leased land entitlements but one-off capital gains exemption has allayed fears.</p>	<p><b>Coupled Support</b></p> <p>Lack of voluntary coupled support for beef sector.</p>	<p><b>Coupled support for sheep sector</b></p> <p>Whether Scotland would be able to use coupled support in the sheep sector, given that it will use the maximum amount of its Pillar 1 budget, 8%, for coupled support in the beef sector. The Scottish Government wants to use an additional 5% of its ceiling for a headage scheme for sheep on the poorest quality rough grazing land (payment region 3)</p>	<p><b>No inclusion of an ANC scheme within the RDP</b></p> <p>This decision has been strongly criticised by farming unions but supported by some environment organisations. The Welsh Government has announced a package of alternative measures to support upland farms in the RDP.</p>

## 6.2 Reaction to Pillar 1 Decisions

### *England*

In England, although the National Farmers Union and environmental groups alike are critical of the overall EU reform package, they have conceded that the UK Government has done the 'best of a bad job' in most areas of implementation.

Modulation and the greening requirements have been the main source of debate in English implementation decisions. House of Commons Library publication, [CAP Reforms 2014-2020: Implementation Decisions in the UK](#), July 2014 provides more detail on reactions to these implementation decisions for England with some comparison with the devolved administrations.

### *Modulation*

The UK Government had initially indicated that it favoured a 15% modulation as the best use of tax payers' money and that there was no evidence that the voluntary modulation in 2008-2012 had an adverse impact on England's farming competitiveness".<sup>124</sup> This intention was very much supported by a coalition of environmental organisations who urged other administrations to follow and to particularly support High Nature Value Farming (i.e. the biodiversity rich farming systems which are often still using labour intensive methods and farming very localised crops and livestock).<sup>125</sup>

However, the rate was not popular with the NFU nor the House of Commons Environment, Food and Rural Affairs Committee.<sup>126</sup> Their shared concern was on the basis of competitiveness and a questioning of the need to transfer quite so much to support existing agri-environment schemes.

The NFU lobbied for a 9% modulation rate moving to 15% in a staged approach and the House of Commons Environment, Food and Rural Affairs Committee also called for a lower rate. However, the NFU did welcome the 12% compromise calling it a "sensible and pragmatic approach".<sup>127</sup>

### *Greening measures*

Farming groups in England have particular issues around the practicalities of some of the greening requirements. Meanwhile, environmental groups such as the RSPB remain disappointed that the greening requirements under Pillar 1 will not be more rigorous to get more value for the tax payer and are a 'wasted opportunity'.<sup>128</sup>

The RSPB is particularly disappointed that the **Ecological Focus Areas** are not being used to tackle environmental challenges such as supporting pollinating insects by providing pollen and nectar and that it is being left to the smaller rural development budget to work for pollinators.<sup>129</sup> The House of Commons Environment, Food and Rural Affairs Committee (the

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<sup>124</sup> Defra, [Implementation of CAP reform in England: Consultation](#), October 2013, para 6.52

<sup>125</sup> Federation of Cumbria Commoners press release, [New Coalition to campaign for High Value Nature Farming](#), 6 June 2013

<sup>126</sup> See Seventh report of the House of Commons Environment, Food and Rural Affairs Committee report, [Implementation of the Common Agricultural Policy in England 2014-2020](#), November 2013

<sup>127</sup> NFU Online, [NFU Statement on CAP reform](#), 19 December 2013

<sup>128</sup> See RSPB News, ['Poor deal' for English farming; a 'wasted opportunity' for environment](#), 10 June 2014

<sup>129</sup> [Greening reaction: NFU welcomes pragmatic decision](#), *Farmers Guardian*, 10 June 2014

EFRA Committee) report (November 2013) on [the Implementation of the Common Agricultural Policy in England 2014-2020](#) also invited the Government to seek ways to use greening to address the decline in pollinators. Meanwhile, the NFU is supportive that Ecological Focus Areas will include hedges and limited landscape features but wants to see more landscape features included from 2016 onwards. The NFU has also welcomed the fact that planting nitrogen fixing crops such as peas and beans will count towards the greening measures.<sup>130</sup>

The **crop diversification measures** (three crop rule) attracted particular criticism because of the adverse impact on small farms and for those who used contractors for all their arable operations.<sup>131</sup> The rule is particularly unpopular with the NFU who have described it as “utter madness” warning that the new rule will increase costs (in terms of growing different crops requiring new machinery), reduce efficiency, increase traffic on rural roads and in some cases could lead to negative environmental effects. There are also concerns that it will undermine contract farming arrangements and share farming agreements.

The NFU has called for the European Commission to scrap the rule at the earliest opportunity e.g. when it reviews ecological focus areas in 2017.<sup>132</sup> The House of Commons Environment, Food and Rural Affairs Committee has supported this stance.<sup>133</sup> Defra has acknowledged that the environmental benefits to be derived from the measure are relatively small, and said that suggested alternatives would be administratively difficult and costly for little or no additional benefit so the UK Government has no other option.<sup>134</sup> However, the Secretary of State for Environment, Food and Farming has since said that she will press the Commission for “increased clarity and flexibility on greening, including a review of the three crop rule”.<sup>135</sup>

## **Ireland**

The three main farming associations in Ireland have broadly welcomed the Government's implementation decisions on direct payments. The farming associations have called on the Department of Agriculture to ensure that new systems are in place in time to avoid disruptions to payments. The President of the Irish Farming Association has said that “It is essential that payments continue to be made on time and within the deadlines set down during the changeover period in 2014 and 2015”.<sup>136</sup>

A key implementation issue for farmers in Ireland has been the announcement that where all land and all entitlements have been leased previously the entitlements will need to be transferred to the leasee in order to qualify for new payment entitlements. Both the IFA and the Irish Creamery Milk Suppliers Association (ICMSA) had expressed concern that those finding themselves in this situation could be subject to taxation penalties.<sup>137</sup><sup>138</sup> The decision

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<sup>130</sup> NFU online, *CAP greening decision is sensible*, 10 June 2014

<sup>131</sup> Defra, *Consultation on the implementation of CAP reform in England: Summary of responses and Government response*, December 2013, paras 3.11-3.20

<sup>132</sup> Farming online, *NFU President: Three crop rule is 'utter madness'*, 11 February 2014

<sup>133</sup> See Seventh report of the House of Commons Environment, Food and Rural Affairs Committee report, *Implementation of the Common Agricultural Policy in England 2014-2020*, November 2013, para 42

<sup>134</sup> Defra, *Consultation on the implementation of CAP reform in England: Summary of responses and Government response*, December 2013

<sup>135</sup> Defra Press Release, *New details on CAP implementation announced*, 14 August 2014

<sup>136</sup> IFA, *CAP Implementation Issues Must Be Resolved*, March 2014

<sup>137</sup> ICMSA, *ICMSA say tax liabilities could arise from decision on entitlements from leased land*, March 2014

<sup>138</sup> IFA, *Agenda for farmers*, March 2014



by the Department for Finance to allow a one-off capital gains tax exemption for those affected has been welcomed as being 'very necessary' and 'justifiable' by ICMSA.<sup>139</sup>

The IFA has expressed support for the decision to introduce coupled support for protein crops and for the flexible implementation of the greening rules on crop rotation.<sup>140</sup> The Association has called for clear and objective criteria to be applied for access to the National Reserve and genuine cases of force majeure to be treated fairly.<sup>141</sup>

### **Northern Ireland**

The Northern Ireland Executive reached a decision on CAP implementation decisions in late June<sup>142</sup>. It should be noted that the time taken for decisions largely related to differing party political and stakeholder positions particularly in relation to the use of sub regions and the rate of transition towards a flat rate basic payment. In lieu of these 'enabling' decisions the DARD Minister Michelle O'Neill announced a raft of technical decisions on Pillar 1 implementation on the 11<sup>th</sup> July 2014<sup>143</sup>.

The Ulster Farmers' Union(UFU) had expressed frustration with the amount of time taken deciding on key implementation issues by the Executive<sup>144</sup>, but did welcome the fact that progress was eventually made, whilst acknowledging that some of the decisions made were '...not exactly what the Union was hoping for'.<sup>145</sup>

Farmers at least now know where they stand and while it isn't exactly what the Union was hoping for we need to look at the positives. A seven year transition means that Northern Ireland has the longest transition period of all the UK regions and it gives farmers some time to adapt their businesses. However, this may be of little comfort to Northern Ireland's beef farmers in disadvantaged areas (DA) who will be the ones hardest hit through a combination of redistribution under a single region and also coming out of the Areas of Natural Constraint (ANC) scheme. The Union has always argued strongly that something needs to be done to support the entire suckler industry across Northern Ireland, and we still continue to press for targeted support for this vulnerable sector.

"When it comes to the single region, one positive farmers can hold on to is that DARD now has no excuse for any delay in getting direct payments out to farmers as soon as the payment window opens in 2015 and subsequent years under the new regime."<sup>146</sup>

### **Scotland**

The NFUS recognised the constraints imposed on the Scottish Government by the "thin" budget, and that it was inevitable that a move to area payments would result in a reduction in payments for many arable and beef farmers. It welcomed the approach the Government was taking to focus payments on active farmers, with an activity requirement, extension of the negative list, and the separation of rough grazing into two payment regions. The NFUS also emphasised the importance of new entrants being able to access the full area payment from 2015, and, this having been secured, its support for the transition to area payments by

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<sup>139</sup> ICMSA, *Single Farm Payment Tax Exemption Very Necessary and Justifiable*, July 2014

<sup>140</sup> IFA, *Dunne welcomes Ministers announcement on coupled aid for protein crops and greening changes*, 11 July 2014

<sup>141</sup> IFA, *CAP Implementation Issues Must Be Resolved*, March 2014

<sup>142</sup> DARD Press Release, *O'Neill delivers positive result on CAP*, 26th June 2014

<sup>143</sup> DARD Press Release *O'Neill announces technical decisions on Pillar 1 CAP Reform*, 11 July 2014

<sup>144</sup> UFU Press Release, *Farmers fed up with lack of progress*, 1 May 2014

<sup>145</sup> UFU Press Release, *Farmers breathe a sigh of relief as final elements of the CAP deal agreed*, 26 June 2014

<sup>146</sup> Ibid

2019.<sup>147</sup> The NFUS has subsequently called on the Scottish Government to provide farmers with a timeline, indicating when further details on implementation will be announced, and in particular has pressed the Government for information on whether it would be possible to use equivalence measures on greening, and for the fine details of how the greening rules will be applied in Scotland, arguing that this information was vital for arable farmers in planning their cropping in 2015.<sup>148 149</sup>

Scottish Land and Estates welcomed many aspects of the Scottish Government's approach – the phased transition to area payments; the focus on active farmers; and the split of rough grazing land into two payment regions. Regarding the addition of sporting estates to the negative list of businesses ineligible for payment, it pointed out that many estates were integrated businesses which ran farming and sporting operations in parallel, so it would be important to ensure that legitimate farming activity was not excluded from support, simply because it was associated with wider sporting activity.<sup>150</sup>

The Scottish Beef Association gave the Scottish Government's June announcements a "cautious welcome". It said that while beef producers knew they were going to be hit hard by the new deal, many would admit it could have been a lot worse. The SBA said the 5 year transition to area payments was a key element of the package. SBA chairman Scott Henderson said: "If our members' average loss of 30% happened overnight many businesses would also have disappeared, overnight. My own business was set to lose more than 40%. That now is an eight per cent annual reduction - something that I can cope with, just."<sup>151</sup>

RSPB Scotland said that the Scottish Government was not doing enough to encourage greener farming, or support farmers who manage Scotland's most environmentally important land. It criticised of weak EU rules plus a lack of ambition from the Scottish Government combining to produce a disappointing outcome on the use of the £130 million pa greening payment. In particular RSPB Scotland highlighted the fact that allowing nitrogen fixing crops such as field beans will be able to count against the Ecological Focus Area, and the use of weighting factors would reduce the value of the EFA for wildlife.<sup>152</sup>

The Scottish Crofting Federation's initial response to the announcement was "apprehensive". It questioned why rough grazing land was being split into two payment regions, and said that €10/ha was too low for land in payment region 3. It was sceptical about the ability of a coupled sheep payment to make up for that low area payment, as it would bring increased inspections, paperwork and penalties.<sup>153</sup>

## **Wales**

There has been a mixed reaction in Wales to the Welsh Government's Pillar 1 implementation decisions. Some elements such as the proposals for progressive capping have been broadly supported while others such as the decisions to transfer 15 % from Pillar 1 to Pillar 2 have been more divisive. Farming unions were strongly opposed to the transfer proposal while environmental organisations welcomed the then Minister's decisions to move increased funds to Pillar 2. Mixed responses have also been made to the proposals for a

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<sup>147</sup> NFUS [CAP Statement Signals Way Ahead for Support](#). 11 June 2014

<sup>148</sup> NFUS [Call for CAP Timelines to be Established](#), 19 June 2014 and NFUS [Scotgov Plans on Greening Still Short on Fine Detail](#) 1 August 2014.

<sup>149</sup> NFUS [CAP Info to Farmers Still Lacking Vital Details](#). 22 August 2014

<sup>150</sup> SLE [Landowners React to CAP Announcement](#). 11 June 2014

<sup>151</sup> SBA [CAP deal offers silver lining](#). 16 June 2014

<sup>152</sup> RSPB Scotland [CAP deal does too little to encourage greener farming](#). 11 June 2014.

<sup>153</sup> SCF [Crofters fear they are being sacrificed](#). 19 June 2014

three land category payment model and to the proposals to complete the transition to area based payments by 2019.<sup>154</sup> Some have expressed concern about the combined impacts of these decisions on farmers who will be affected by the redistribution of direct payments whilst others believe the proposals represent a fair compromise.<sup>155</sup>

In relation to greening a majority of respondents to the Welsh Government's consultation on its proposals for direct payments supported the decisions to adopt the European Commission's default greening options but due to the amendments made to greening requirements during the negotiation process RSPB Cymru called for the adoption of a National Certification Scheme.<sup>156</sup> Farming Unions have called the recent announcements by the Welsh Government in relation to Ecological Focus Areas 'reasonable and pragmatic' although they have stated that they would like to see cover crops included within future definitions.<sup>157</sup>

The majority of respondents supported the Welsh Government's decision not to include and ANC scheme or a Small Farmers Scheme within Pillar 1.

### 6.3 Reaction to RDP Decisions

#### *England*

Although critical about the overall CAP reforms negotiated, the RSPB is "pretty pleased" about what is being proposed in terms of NELMS so far and has said that "First impressions are that this new scheme is good news for wildlife and for farmers. The Defra team have done a good job".<sup>158</sup> However, the RSPB does highlight that it is not clear how Defra will allocate funding among the range of priorities it outlines for the scheme below the overall priority of biodiversity. It also expresses hopes that farmers and land managers will actually go for the new scheme and that the NFU will get behind the new scheme.

The NFU has been involved in the development of the scheme and has raised practical questions of implementation and clarification with Defra. The NFU, along with Wildlife Trusts and the National Trust highlighted the lack of funding available for, and challenges faced by, High Nature Value (HNV) farming, particularly in Upland areas in the consultation on the shape and priorities of the RDP for England.<sup>159</sup>

#### *Ireland*

One of the key issues raised by the farming associations in Ireland has been the level of match-funding being that will be made available by the Government to co-finance the RDP. In this context, farming associations have called for at least 50% match funding. The three main farming associations in Ireland have also urged the Minister for Agriculture, Food and Marine, Simon Coveney, to ensure early submission of the RDP to the European Commission to allow key schemes such as GLAS (the agri-environment scheme) to commence promptly. In July 2014, IFA Connacht Regional Chairman, Tom Turley, stated that "The over-riding priority must be that the new GLAS and TAMS programme are open

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<sup>154</sup>Welsh Government, *Response to the Welsh Government Consultation Document – The Common Agricultural Policy Reform – The Welsh Government's proposals for direct payments to farmers*, n.d.

<sup>155</sup>*Ibid*

<sup>156</sup>*Ibid*

<sup>157</sup> NFU Cymru Press Release, *Greening measures 'sensible and pragmatic'*, 3 July 2014

<sup>158</sup> RSPB, Martin Harper's blog (Martin in Head of Conservation), *The NELMS-putting life back in the countryside?*, 27 February 2014

<sup>159</sup> Defra, *Consultation on the implementation of CAP reform in England: Summary of responses and Government response*, December 2013, para 5.15

before year end, and funding delivered in October's Budget so that up to 30,000 farmers are paid a full-year payment in 2015".<sup>160</sup>

Speaking after Budget 2015 was announced, IFA Rural Development Committee Chairman, Flor McCarthy, stated that "thousands of farmers" were in a "precarious situation for 2015 because the allocation to the agri-environment scheme falls short of what is required. 30,000 farmers will have exited REPS 4 between 2013 and 2015, and it is vital that they have a scheme available to them next year with a meaningful payment...Flor McCarthy called for the early introduction of the new GLAS scheme with a significant payment in 2015".<sup>161</sup>

In relation to GLAS, the three main farming associations have called on the Minister to resolve issues related to commonage. The Government has proposed that either 50% of a common area will have to be entered or 50% of commonage shareholders will need to agree to enter GLAS for an area of commonage to be eligible. Farming Associations have stated that whilst this may be possible in most cases it will not be practical in others.<sup>162</sup> Both the IFA and the Irish Cattle and Sheep Farmers' Association (ICSA) have called for no farmers to be excluded from being eligible for GLAS.<sup>163</sup> The Minister's position was reiterated in September 2014 and it was also then stated that "small commonages of less than ten hectares in size would not be subject to any minimum participation requirement. Farmers on these commonages would be able to apply for GLAS in their own right".<sup>165</sup>

Farmers have welcomed the proposals to offer increased ANC support to Island farmers and have called for a focus on capital farm investment and funding to improve measures for farm safety.<sup>166</sup> The IFA has called for the TAMS II (The Targeted Agricultural Modernisation Scheme) to be open for applications as soon as possible.<sup>167</sup>

Birdwatch Ireland has welcomed the decision to offer funding to farmers to undertake actions to conserve critically-endangered farmland birds under the RDP.<sup>168</sup> The organisation has called on the Government to ensure that the funds are targeted properly and sufficient advice is provided to farmers to implement actions effectively.

### **Northern Ireland**

The Ulster Farmers Union has welcomed the fact that the £623m budget for the 2014-20 NIRD DP will enable DARD to deliver a fairly comprehensive package. The Union also backed the Northern Ireland Executive's commitment to both match the EU funding element and provide up to £250m to help deliver the NI Agri-Food Strategy Board's Going for Growth report, and these steps were seen as a demonstration that the Executive '*is serious about the future of our agri-food industry*'. Whilst generally welcoming the announcements the UFU stressed the need to ensure the '*...smooth delivery of this Programme and to do that keeping bureaucracy to a minimum so as to maximise its effectiveness will be paramount. It is also essential that DARD ensure these measures are opened as early as possible in 2015 to allow farmers to start to avail of these schemes*'.<sup>169</sup>

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<sup>160</sup> IFA, [Minister has to resolve outstanding RDP issues](#), 27 July 2014

<sup>161</sup> IFA, [Early start up date for GLAS must be a priority for Minister Coveney following Budget](#), 16 October 2014

<sup>162</sup> ICSA, [No Commonage Farmer Should Be Denied Access to GLAS](#), 8 September 2014

<sup>163</sup> *Ibid*

<sup>164</sup> IFA, [Minister has to resolve outstanding RDP issues](#), 27 July 2014

<sup>165</sup> Merrionstreet.com, Irish Government News Service, Coveney gives update on Commonages, 3 September 2014

<sup>166</sup> IFA, [IFA welcomes increased payments for island farmers](#), 11 July 2014

<sup>167</sup> IFA, [IFA urges Minister to Coveney to use all EU TAMS funding by reopening scheme](#), 22 September 2014

<sup>168</sup> Birdwatch Ireland, [New RDP offers a lifeline for farmland birds](#), 9 July 2014

<sup>169</sup> UFU Press Release, [UFU comments on NI Rural Development Programme announcement](#), 25th July 2014

The RSPB welcomed the fact that potential spend on agri-environment of £191m would equate to an increase of £17m compared to the allocation for the 2007-13 NIRD, but did acknowledge that they had yet to see a comprehensive breakdown of the funding package.

The Rural Development Council (who managed Rural Network NI, which was established to help and support the implementation and delivery of the 2007-13 programme across all axes), welcomed the announcement which *'...answered our requests and we are greatly encouraged by this solid commitment to agriculture, rural society and the multitude of businesses and jobs that depend upon it'*. The RDC also identified the £80m allocation to the assist the development of rural economies and job creation as a *'...very positive outcome and offers much needed support to the wider rural economy and community.'*<sup>170</sup>

### **Scotland**

RSPB Scotland welcomes the funding that is available in Pillar 2 for a new agri-environment scheme, for forestry grants and cooperation and advisory services, and the Scottish Government's desire to see much more targeted and focused use of funds this time round. In its view though, with the limited budget for the SRDP, it is going to be very difficult for Government to meet its biodiversity, climate or water quality targets unless it increases funding or is willing to enforce a tougher regulatory regime on farmers in future.<sup>171</sup>

Reducing the level of transfers from Pillar 1 to Pillar 2 was a priority for the NFUS, and it says that the fact that the level of transfer has been set at 9.5%, lower than the maximum permissible 15%, is one of the priorities it has won for its members.<sup>172</sup> It has written to the Scottish Government to highlight the importance of the advisory services element of the next SRDP.<sup>173</sup>

The Scottish Beef Association considers the £45m beef improvement package provides an essential lifeline which could allow the sector to improve its efficiency and financial performance to cope with reduced public support.<sup>174</sup>

In the initial consultations on the SRDP, the Scottish Government proposed a combined scheme for small farmers and crofters. In the final programme these schemes are separate. This was welcomed by the Scottish Crofting Federation.<sup>175</sup>

### **Wales**

As outlined in previous sections the Welsh Government announced headline themes with indicative spend and examples of potential schemes for these headlines. In broad terms farming unions have called for the funds transferred from Pillar 1 to Pillar 2 to be focussed on improving farm competitiveness whereas environmental organisations have called for adequate funding of agri-environment schemes and the delivery of EU Environmental Directives. Strong calls have also been made by farming organisations for the inclusion of an ANC scheme within the RDP.

The Welsh Government has published a summary of the responses it received to its consultation on its final proposals to the RDP.<sup>176</sup> 120 stakeholders responded to the consultation with a variety of views set out on each theme proposed. There was broad

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<sup>170</sup> RDC Press Release, RDC chief welcomes RDP investment package, 1st July 2014

<sup>171</sup> RSPB *Ibid*

<sup>172</sup> NFUS CAP Reform – Priorities won by NFUS p.50-52, Scottish Farming Leader, August 2014.

<sup>173</sup> NFUS *Importance of Advisory Service in Next SRDP Stressed in Letter to Cab Sec.* 7 July 2014

<sup>174</sup> SBA *Ibid*

<sup>175</sup> SCF *Ibid*

<sup>176</sup> Welsh Government, *Research Report Common Agricultural Policy Reform: Wales Rural Development Programme 2014-2020 Final Proposals*, June 2014

support for the provisions of enhanced advisory services with a number of recommendations made about how any such services should be structured. Strong support was also given to the proposals to provide continued support to young farmers whilst there was mixed reactions to the proposals for the LEADER and rural development communities fund proposals. The summary notes that many stakeholders welcomed the proposals to use a mix of funding mechanism such as grants and loans to support capital investments on farm.

Additionally the Welsh Government consulted on specific proposals in relation changes to its agri-environment scheme, Glastir, which will be made as part of the new RDP. The proposed changes were designed to take into account the greening requirements and the new objectives included within the RDP regulation such as climate change and renewable energy. In the absence of a proposal for a standalone ANC scheme the consultation made a number of recommendations in relation to improving the support provided for upland areas through the Glastir scheme. A summary of the consultation responses has been published by the Welsh Government.<sup>177</sup>

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<sup>177</sup>Welsh Government, *Proposals For The Glastir Scheme Consultation Analysis Document*, June 2014

## 7 Delivery Readiness

As outlined in previous sections of this paper, administrations will need to be in a position to implement the requirements of the new CAP from January 2015. This will require the development of national systems to distribute payments and grants in accordance the strict rules set by the European Commission through the Delegated and Implementing Acts.

National administrations will need to establish systems to gather new information and data which was not required by previous CAP schemes e.g. information on implementation of the greening rules. They also need to set up new mechanisms for dealing with appeals against implementation of new elements such as land classifications for direct payments and the active farmer test.

In relation to Rural Development, administrations under this planning period will be required to demonstrate greater coordination between rural development budgets and different EU funds at their disposal such as structural funds. Adequate application and monitoring processes for rural development grants will also be required.

Provision of sufficient timely advice and guidance to farmers on the new requirements under Pillar 1 and for all applicants to rural development schemes is vital. The nature of farming systems means that farm businesses require sufficient time to plan for change. For example, farms will currently be developing their cropping plans for 2015 which could be significantly affected by decisions made on the implementation of greening requirements. Farming organisations across the UK and in Ireland have called for the provision of early and clear advice to farmers on CAP changes so that farm businesses have adequate time to take appropriate business decisions.

Information on progress to ensure delivery readiness across the UK and in Ireland is summarised in the sections below.

### 7.1 England

#### ***Direct Payments - Pillar 1***

The Rural Payments Agency (RPA) will administer CAP payments in England. The RPA's Chief Executive recently described the run up to implementing the new schemes next year as one of the most challenging periods in the RPA's history.<sup>178</sup> The RPA's business plan for 2014-2015 (July 2014) commits the Agency to delivering 'high quality Business as Usual services' matching the levels of performance that the RPA achieved in 2013-14 whilst also delivering the change needed to support CAP reform. It guarantees that at least 99% of payments are accurate first time, measured against financial value and that 97% of customers are paid 97% of the fund value by 31 March 2015.<sup>179</sup>

The House of Commons Environment, Food and Rural Affairs (EFRA) Committee raised a number of delivery matters with the Government in its report on CAP implementation in November 2013. The Committee had particularly questioned the timing of the introduction of a new IT system at a time of great change for farmers. However, the Government argued that the previous system was not fit for purpose in terms of dealing with the complexities of

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<sup>178</sup> [RPA boss warns of CAP reform challenge](#), *Farmer's Guardian*, 17 July 2014

<sup>179</sup> .GOV.UK (Rural Payments Agency), [2014-15 RPA Business Plan published](#), 15 July 2014



the latest CAP reforms.<sup>180</sup> The UK Government assured the EFRA Committee that it was confident that it had learnt the lessons from 2005 when the RPA made late payments to farmers and the UK incurred disallowance fines for its poor delivery of the CAP payments<sup>181</sup>.

### *CAP Information Service (CAPIS)*

All new CAP schemes will use the same online CAP Information Service (CAPIS) in a 'digital by default' approach. The RPA's current priority is to persuade customers to engage early with CAPIS. The system started being phased in summer 2014 and will continue into the autumn with different groups of customers being able to register and get acquainted with the system before they have to enter their claims.

In 2014, more than 70,000 claims were made on-line (more than 66%), up 27% on 2013 but that still leaves a third of claimants unused to making an on-line claim. Some 13,000 customers who have always made paper claims are being contacted first with a 'triage' approach of support options for those most likely to be in need of help to get online.<sup>182</sup> Those most in need of technical support will be able to access help from an RPA agent at a Digital Support Centre. These centres are currently being trialled for roll out across England by early 2015. The ambition is to ensure that farmers are never more than 30 miles from such a support centre.

The RPA is trying to take a proactive approach in a number of areas. It is alerting those who will need to change their arrangements for the new BPS. E.g. those currently claiming SPS who are below the new thresholds for claiming BPS. In addition, applicants can use the CAPIS to help check if they meet the greening rules once they have entered their land use and EFA feature details.<sup>183</sup>

### ***Rural Development Programme- Pillar 2***

The NELMs scheme will be delivered by Natural England, the Forestry Commission and the Rural Payments Agency. For those on the most environmentally important sites, holdings and woodlands, applicants for the new scheme have to contact Natural England or the Forestry Commission first. For others, agreements will be available nationally through a competitive online application process. Applications will be assessed against environmental priorities in the local area. More information on how to apply, and what woodland and water quality grants may be available in 2015 will be published in October 2014.<sup>184</sup> Natural England has also been liaising with those whose stewardship agreements will be continuing beyond 2015.

## **7.2 Ireland<sup>185</sup>**

### ***Direct Payments- Pillar 1***

Work in relation to delivery of the requirements of the new CAP is on-going in Ireland. The Department of Agriculture, Food and Marine has appointed a business process coordinator to oversee delivery of the CAP. A CAP Advisory Centre was established in January 2015 to deal with enquiries from farmers, elected representatives, other stakeholders and the media.

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<sup>180</sup> HC 745, *7th Special Report of the House of Commons Environment, Food and Rural Affairs Committee, Implementation of the Common Agricultural Policy in England: Government response to Committee's 7th report of Session 2013-14*, February 2014, para 36

<sup>181</sup> Ibid, para 39

<sup>182</sup> .GOV.UK (Rural Payments Agency), *RPA unveils 'extra help' to get farmers online for BPS*, 22 September 2014

<sup>183</sup> Defra, *The new Common Agricultural Policy schemes in England: October 2014 update*, 28 October 2014

<sup>184</sup> Defra, *The new Common Agricultural Policy schemes in England: August 2014 update*, August 2014

<sup>185</sup> Information provided by officials from the Department of Agriculture, Food and Marine in correspondence with House of the Oireachtas Library and Research Service.



The Government has reported that the Centre dealt with over 20,000 enquiries prior to the 2015 application closing date.

A new applications system is being developed which will include the establishment of new rules, systems and terms and conditions for the different schemes. On-line applications will be mandatory for some elements over the next period including the Young Farmers Scheme, applications to the National Reserve and applications to GLAS.

Officials from the Department have attended open meetings across the country to answer questions and provide relevant information and a guide to the new direct payments system has been published.

### ***Rural Development Programme-Pillar 2***

In relation to the RDP, the Programme was submitted to the European Commission for approval on 3 July 2013 with Commission observations on the proposals being returned at the start of October. Negotiations to finalise the RDP will then take place over the next few months.

## **7.3 Northern Ireland**

### ***Direct Payments – Pillar 1***

DARD is currently developing the mechanisms that will be available to farmers wishing to apply for the new Basic Payment Scheme.

This work is ongoing and has an emphasis on an online application process which will also see DARD seeking to build upon existing online services such as Maps Online, Aphis Online, and On-line Payment Summary.

DARD are also actively preparing an information dissemination programme designed to ensure that farmers are fully aware of changes to the CAP regime and the impacts of these changes on their eligibility, as well as highlighting things that they will need to consider when applying for support under the new regime.

### ***Rural Development Programme – Pillar 2***

As evidenced in Table 6, DARD's Rural Development Programme funding allocations are currently provisional and subject to the following

- EU approval of RDP;
- Business Case approval for schemes by Northern Ireland's Department for Finance and Personnel;
- Industry uptake and access to match funding;
- Method of delivery; and
- Availability of DARD Resources and ability of the Northern Ireland Executive to agree an overall budget.

Unlike other parts of the UK, DARD has yet to submit its finalised Rural Development Programme to the European Commission for approval, although this step is projected to

occur on the 14th October. At this point DARD is hoping to get the programme approved in April 2015, which will have an impact on when measures actually open to application.

In terms of the actual delivery mechanisms for the Programme, DARD is currently assessing its options. The only given at this point is that newly constituted Local Action Groups (LAGs) will be responsible for the delivery of measures within Priority 6 (with the exception of Rural Tourism), but these LAGs will not be in place until early 2015 and will not be open to application prior to Commission approval of the Northern Ireland RDP.

## **7.4 Scotland<sup>186</sup>**

### ***New online service for CAP and SRDP applications***

The Scottish Government is working with Scottish Natural Heritage and Forestry Commission Scotland to develop a new online service for CAP and SRDP applications.

The new service will be piloted by a small number of farmers and agents towards the end of 2014 and extended to more customers each month. They will be able to create an account and update their personal and business information. They will also be able to see maps of their land on-screen to help them get ready for 2015.

From early 2015, more parts to the service will be added to that online applications can be made for:

- Direct Payments
- Voluntary Coupled Support for Beef and Sheep
- Less Favoured Areas Support Scheme
- Agri-Environment and Climate Change Scheme
- Forestry Grant Scheme
- Legacy claims for the Rural Priorities Scheme

Guidance, information and forms for all CAP schemes will also be available on Rural Payments and Services by early 2015. Paper forms for all schemes will continue to be available through the website [www.ruralpayments.org](http://www.ruralpayments.org).

By the end of March 2017, the Government's objective is for all applications to be online and for farmers and their agents to be able to manage them through a single customer account, similar to online banking.

### ***Rural Development-Pillar 2***

For the SRDP 2014-20 a delivery partnership is made up of Scottish Government's Rural Payments and Inspections Division (RPID), Scottish Natural Heritage and Forestry Commission Scotland. They will form an assessment network to ensure that the applications for the schemes identified above are assessed with the appropriate knowledge and expertise. There will be two levels of entry for applications under this process (excluding LFASS):

- Level 1 – applications for grants up to £75,000 with continuous local approval. For forestry the threshold will remain at £750,000
- Level 2 – applications for grants above £75,000 which will be considered nationally by an expert panel

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<sup>186</sup> A timeline showing the key dates for the implementation of the new CAP in Scotland is available on p12-13 of the Scottish Government guide, [The new Common Agricultural Policy in Scotland](#), July 2014

To ensure a better spread of funding, applications will be limited to one per holding, per scheme, per year.

The Scottish Government will hold a series of roadshows around Scotland in autumn 2014 to explain the new Pillar 1 arrangements and the next SRDP to farmers, crofters and land managers.

### ***Audit Scotland report on CAP Futures Programme***

The (2013-14) budget for the Scottish Government's CAP Futures Programme has been audited by Audit Scotland.<sup>187</sup>

The CAP Futures Programme is an IT and business change programme to implement Common Agricultural Policy reforms in Scotland. The 2013-14 Scottish Government consolidated accounts include expenditure of £26.8 million on it. The main funding comes from the CAP compliance and improvements line and the technical assistance line under the EU support and Related Services budget. The programme runs over the period 2012-13 to 2016-17.

The CAP futures programme is important as "The Scottish Government has estimated that it could incur costs of up to £50 million per year if the IT system failed to deliver the requirements of CAP reform, with risks to future EU funding if payments are not made in accordance with the EC regulations" (para 5).

The report highlights:

- Overall cost increases from the original estimate of £88 million (in December 2012) to the latest estimate of £137.3 million
- One of the main technical areas (a mapping component) will not be included when the programme is initially implemented
- Other parts of the plan will not happen, such as the introduction of mobile technology for field staff.

It concludes that delivery of the CAP Futures Programme will carry significant risk right up until implementation and beyond. Audit Scotland intend to review progress in future reports.

The Scottish Government itself has also highlighted this project as a "significant internal control issue" in their Consolidated Accounts. They state that "The Programme has proved significantly more complex and challenging than anticipated ....Extensive action has been taken to assist with the programme delivery but this work will carry a level of risk up to implementation."<sup>188</sup>

The Scottish Parliament Public Audit Committee took oral evidence from Audit Scotland on this on 8 October 2014 (official report). It will take evidence from the Scottish Government in November 2014.

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<sup>187</sup> Audit Scotland, [Common Agricultural Policy Futures programme](#), October 2014.

<sup>188</sup> Scottish Government. Governance Statement, [The Scottish Government Consolidated Accounts 2013-14](#), October 2014

## 7.5 Wales

### ***Direct Payments – Pillar 1***

As outlined in previous sections of this paper the Welsh Government has already undertaken a number of consultation exercises in preparation for the implementation of the new CAP. This has included the completion of detailed modelling exercises of the likely impacts of the move towards areas based payments and the adoption of a three land category based payment system. The Welsh Government issued an initial paper of its decisions for Pillar 1 implementation in January 2014 and made a second announcement on further details in July 2014.

Guidance on the new basic payment scheme was issued to farmers in July 2014 which included a list of key dates for the implementation of the scheme. These include the following:

- August 2014- recording of land for the implementation of Ecological Focus Areas;
- September 2014- Stage 1 appeals against land classifications complete;
- November 2014- Entitlement application process and National Reserve application process begin and expressions of interest in the Young Farmers Scheme invited;
- February 2015- Online SAF available;
- March 2015- Paper SAF available and;
- May 2014- Closing date for SAF 2015.<sup>189</sup>

In addition the Welsh Government issued a consultation in May 2014 on its cross compliance proposals for 2015.

Like other countries, the Welsh Government has opted to invest in the development of an online payment system - Rural Payments Wales online. The online forms will be available from February 2015 with paper based forms being withdrawn from 2016. Farmers will also be able to submit applications for agri-environment schemes online.

### ***Rural Development– Pillar 2***

In relation to the Rural Development Programme, the Welsh Government submitted its draft proposals to the European Commission in August 2015. The Welsh Government has outlined headline decisions on the content of the RDP and has stated that it expects the new schemes to start in January 2015 subject to agreement being reached with the European Commission in time. Stakeholder [information leaflets](#) outlining some of the proposed elements of the scheme have been published on the Welsh Government's website.

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<sup>189</sup> Welsh Government, [Your Guide to the Basic Payment Scheme in Wales](#), July 2014

## 8 The Future of the CAP

The CAP is not on an obvious reform trajectory. A reduction in overall subsidies and decoupled payments and the delivery of environmental objectives seem to be bedding down as core themes. However, they are not unanimously supported to the same degree (even within the UK) and are subject to the political swings and roundabouts of the CAP negotiation process. The practical impact of the agreed 2014-2020 reforms will colour the next moves as will the rapidly changing scene of world trade, commodity prices, farming support and food production.

### ***New EU Agriculture Commissioner***

Phil Hogan, the confirmed new Commissioner Designate for Agriculture set out his views on the next steps on CAP in his hearing with the European Parliament's Agriculture Committee in October 2014. In his written submission to the Committee, he set out how he proposes to present a simplification and subsidiarity strategy for the CAP within the first year of his mandate which will include concrete initiatives, together with realistic planning for their implementation. To devise this strategy, he will instruct DG Agriculture to carry out a comprehensive screening of Common Agricultural Policy (CAP) legislation to see what can be simplified, and include in this a subsidiarity check to determine which political decisions could better be taken at Member State level.<sup>190</sup>

### ***UK Government stance***

The UK Government has already said that beyond January 2015, it will be looking ahead to the next round of CAP negotiations; in particular what can be done to help ensure a better set of Commission proposals for the next CAP regulations post-2020.<sup>191</sup> The UK Government has said that it is still looking for a radical reform of the CAP and has also indicated that the CAP is likely to form a 'core part of the re-negotiation of the UK's relationship with Europe ahead of a possible 2017 referendum on EU membership.'<sup>192</sup>

### ***OECD recommendations***

The OECD's latest report on state support for farming indicates the OECD's views on future trajectories in this area. Government support for agriculture in OECD countries remained on a downward trend in 2013, yet the report notes that much of this support is still in a form that distorts markets. The report calls on governments to do more to break links between farm support and production and ensure the focus is on improving agricultural productivity and sustainability with an increased focus on innovation to improve these areas.

Support to producers in 2013 in OECD countries amounted to 18% of gross farm receipts, down slightly from 2012 and compared with around 30% two decades ago. However, half of the USD 258 billion (EUR 194 billion) total in 2013 was found to relate to instruments that distort production and trade. Australia, Chile and New Zealand limit themselves to safety net measures, disaster relief and R&D and transfer less than 3% worth of gross farm receipts in support. Meanwhile, Iceland, Japan, Korea, Norway and Switzerland all have Producer Support Estimates above 40% of gross receipts. EU support is at 19%.

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<sup>190</sup> European Parliament, [Hearing, Phil Hogan – Agriculture and Rural Development](#) on 2 October 2014 as viewed on 27 October 2014. Transcript also available at Europa, [European Parliament hearing of Commissioner-designate Phil Hogan](#), 2 October 2014

<sup>191</sup> Memorandum from the Department of Environment, Food and Rural Affairs to the House of Commons Food and Rural Affairs Committee inquiry into implementation of the Common Agricultural Policy 2014-2020, 18 October 2013

<sup>192</sup> [Liz Truss vows to promote 'sunrise' farming industry](#), *Farmers Guardian*, 30 September 2014

The 2013 OECD monitor report noted that the EU's agreed CAP reforms "do not represent a major departure from either the current orientation or size of farm support in the 28 country bloc".<sup>193</sup> The 2014 report calls on Member States to 'seize the flexibility" that CAP reform 2014-2020 offers "to anchor market orientation more deeply and better target support to improve the long term productivity, sustainability and efficiency of the sector."<sup>194</sup>

The report makes the following recommendations in terms of its preferred, future trends for farming support:<sup>195</sup>

- More market intervention mechanisms should be dismantled in favour of support that is less connected to production and more targeted to specific needs, in line with stated policy priorities of increasing productivity and sustainability.
- Governments should make their farm policies more coherent with macroeconomic, trade, structural, social and environmental policies. They should reduce impediments to structural adjustments to attract financial and human resources to the sector.
- Countries should consolidate past farm support reforms and avoid any recoupling of support with production, which can lead to higher costs and market disruption. Future reforms could usefully include relaxing or ending production quotas.
- Funds freed up by more efficient farm support practices should be invested in education, infrastructure and research in the sector. Governments should be bolder about prioritising the environment and the sustainable use of natural resources.
- Payments to mitigate income risks should not crowd out market-based risk management tools and farmers' own management of normal business risks.

### **Looking to the next CAP reform**

The current CAP reforms have moved further towards the trends identified by the OECD (see above) than away but there are more questions than answers about what a future reform round might look like:<sup>196</sup>

- How far will direct subsidies survive another reform? Will greening requirements take up an increasing proportion of Pillar 1 payments as the Commission sticks to the principle of ensuring that the direct payments are for the delivery of public goods? What will be the influence of the additional Member States coming under the full CAP requirements in future years (e.g. Bulgaria and Romania in 2016)? How isolated is the UK Government in wanting radical CAP reform and a more competitive farming sector, less-reliant on direct subsidies?
- Is Pillar 2 the way to protect the future health of the rural economy rather than over-reliance on direct subsidies? Will this reform help to illustrate which approach works best? The flexibility offered to switch funding between Pillar 1 and 2 will test if greater economic benefits can be achieved by supporting rural development in general and not farming in particular.

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<sup>193</sup> OECD Newsroom, [Support to agriculture rising after hitting historic lows OECD says](#), 18 September 2013

<sup>194</sup> OECD, [Agricultural Policy: Monitoring and Evaluation 2014](#), September 2014

<sup>195</sup> OECD, [More action needed to move away from market distorting farm support says OECD](#), September 2014

<sup>196</sup> Issues and questions drawn from: European Movement, [The future EU budget – The Agricultural Dimension](#), September 2010; EurActiv.com, [How to kill off successful environmental schemes in Europe's agricultural policy](#), 3 September 2013

- Will the flexibility of implementation provided to Member States in this CAP reform be its making and therefore be replicated and/or increased in future reforms? Or will the individually tailored CAPs emerging in each Member State create a very uneven playing field? Will the move towards area based payments in all Member States, and external convergence temper this impact?
- Recent CAP reforms have allowed implementation to be regionalised within Member States, and this has been done in the UK with the devolved administrations developing their own policy. This is becoming increasingly embedded into the CAP. Will there be scope for additional regional flexibilities in future reforms?
- Will the new cross-sector working arrangements influence the next CAP reform with new joined-up thinking on supporting the agricultural sector?
- As the UK receives close to the EU average CAP payment the UK is only benefitting to a very limited extent from external convergence and so will remain a substantial net contributor. How will this affect the UK rebate debate?
- Following the European elections in 2014 and the appointment of a new Commission how will the European Parliament and the next EU Agriculture Commissioner influence the next CAP reform?
- Will there be a mid-term review of these reforms before 2020?
- What would be the impact of a 'no' vote if there were a UK referendum on EU membership?
- Will there be an increasing focus on innovation within the CAP as Member States themselves are increasingly looking at innovation as part of their Pillar 2 programme?
- Will a further degraded environment force a rethink on CAP after 2020?
- What will be the influence of WTO and international trends in agriculture on the direction of the CAP?
- Will food security issues/considerations become more prominent over coming years and if so how will this affect both the existing and future CAP?

## Appendix 1 – Glossary of CAP terminology<sup>197</sup>

Term or abbreviation	Meaning/definition
Active farmer	<p>Following some concerns at EU level as to whether direct payments were being made to 'genuine farmers', a two-part active farmer test will now be applied.</p> <p>Member States can set minimum activity requirements (e.g. a minimum stocking rate) for land which is naturally in a state suitable for grazing or cultivation</p> <p>An EU wide list of activities which are not eligible for CAP payments has been drawn up. This includes airports, railway services, water works, real estate and sports grounds. Member States can add to this list.</p>
Agricultural activity	<p>"agricultural activity" means:</p> <ul style="list-style-type: none"> <li>• production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or</li> <li>• maintaining an agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond traditional usual agricultural methods and machineries, based on criteria established by Member States on the basis of a framework established by the Commission, or</li> <li>• carrying out a minimum activity, to be established by Member States, on agricultural areas naturally kept in a state suitable for grazing or cultivation</li> </ul>
Agricultural area	Any area taken up by arable land, permanent grassland and permanent pasture or permanent crops.
ANC	Area of Natural Constraint – replaces the existing Less Favoured Areas land (LFA) classification and will be determined using specific biophysical criteria including climate, soil and slope.
Arable land	Land cultivated for crop production or areas available for crop production but left lying fallow (including set aside) in the current year or within the previous five years.
BPS	Basic Payment Scheme – a key element of the new CAP package and a replacement for the current Single Farm Payment.
CAP	Common Agricultural Policy - This is the set of legislation and practices adopted by the European Union to provide a common, unified policy on agriculture. It aims to ensure that agriculture can be maintained over the long term at the heart of a living countryside.
CAP Health Check	Measures agreed by the EU Agriculture Council in 2008 to “modernise, simplify and streamline the CAP and remove restrictions on farmers”.
Capping	Capping refers to the limitation of support that any individual farm may receive from the Basic Payment Scheme. The funds “saved” under this mechanism stay in the Member State/region concerned and are transferred to the Rural Development envelope.

<sup>197</sup> The definitions given in this glossary are based on these given in the European Commission's [glossary of terms used in the CAP](#). Note that some terms are under revision since the reform of June 2013



Co-decision	Known since the entry into force of the Treaty of Lisbon as the 'ordinary legislative procedure', co-decision is a term that describes the main procedure by which the European Union makes law. In simple terms this means that a legislative proposals requires the assent of both the European Parliament and the Council of the European Union in order to become a law.
Co-funding/Co-financing	EU legislation requires Member States, or their regions, to contribute national Exchequer funding (taxpayers' money) in addition to the EU funds for each claim made by beneficiaries. The proportion of national and EU contributions is referred to as the co-financing rate. The level of national funding required depends on the activity funded and the source of the funds. Rates for CAP are part of the EU budget deal. Member States no longer have to co-finance a transfer from Pillar 1 to Pillar 2. <sup>198</sup>
Coupled support	A payment directly linked to the volume of output of a specific agricultural product.
Cross compliance	To receive direct payments and some other forms of financial support, farmers are obliged to comply with certain existing EU legislation relating to <i>inter alia</i> , food safety, animal welfare and the environment. They must also keep their land in Good Agricultural and Environmental Condition. A broad definition of GAEC is set at EU level which Member States can apply to local farming conditions.
Degressivity	A reduction in support applied above a certain threshold(s) of CAP payments per farm.
Direct Payments	European Union subsidies to farmers under Pillar I of the Common Agricultural Policy.
EFA	Ecological Focus Area – a key component of the greening measures within the CAP reform package. Farms with more than 15 hectares of arable land must maintain at least 5% of this land as EFA.
Entitlements	These form the basis of payments to farmers under the Basic Payment Scheme — once activated each entitlement will have a value and can be used by a farmer to claim payment each year, subject to meeting the relevant scheme rules.
Eligible land	In general terms, within the CAP system land is eligible under the Basic Payment Scheme (BPSA) if it is arable, permanent grassland or pasture or permanent crops, but exceptions can and do apply.
External convergence	Convergence in CAP receipts between Member States. This is being based on average receipts per hectare of eligible land.
EU	European Union
EC	European Commission
EP	European Parliament
Greening	Greening refers to the further enhancement of the environmental sustainability of farming in the European Union. Has 3 key elements under the new CAP package: <ul style="list-style-type: none"> <li>• Crop diversification</li> <li>• Permanent grassland retention</li> <li>• Provision of Ecological Focus Areas (EFAs)</li> </ul>
Farmer	A natural or legal person, or a group of natural or legal persons whose holding is situated within the territory of the same Member State and who exercise agricultural activity.

<sup>198</sup> Defra, [Implementation of CAP reform in England: Consultation](#), October 2013

Flat rate	A payment structure under which all hectares of eligible land in region would attract the same level of support.
Grasses or other herbaceous forage	All herbaceous plants that are traditionally found in natural pastures or normally included in mixtures of seeds for pastures or members in the Member States.
Holding	All the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State.
Internal convergence	Under the historical basis for allocating Pillar 1 payments the amounts farmers receive are based on the average amount they received between 2000 and 2002. This means neighbouring farms with similar types of land <i>can</i> receive quite different levels of support. Internal convergence means equalising the amounts farmers receive per hectare either as a flat rate for all agricultural land, or for different types of agricultural land.
LFA	Less Favoured Area – areas of poorer agricultural land which qualify for special aid under EU schemes. Replaced by Areas of Natural Constraint within the new CAP.
Modulation	A transfer of funds from Pillar 1 to Pillar 2 of the CAP.
National ceiling / national envelope	A Member State's allocation of the Pillar 1 budget.
National reserve	In relation to the current Single Payment Scheme and future Basic Payment Scheme, Member States must create 'national reserves', using part of their national ceilings. These amounts are to be used for allocating payment entitlements, mainly to new entrants to farming in the event that they have not acquired payment entitlements when they acquired their land.
Permanent crops	Non-rotational crops other than permanent grassland and permanent pasture that occupy the land for five years or more and yield repeated harvest, including nurseries and short rotation coppice.
Permanent grassland (including permanent pasture)	Land used to grow grasses or other herbaceous forage naturally (self seeded) and through cultivation and that has not been included in the crop rotation of the holding for five years or more. Member States/regions may include other land which can be grazed and which forms part of established local practices where the grasses and other herbaceous forage are traditionally not predominant in grazing areas (e.g. grazed heather under certain conditions).
Pillar 1	Payments to support farmers' incomes provided in the form of direct payments and market measures and entirely financed from the European Agricultural Guarantee Fund (EAGF).
Pillar 2	Support provided for the development of rural areas – support takes the form of Rural Development Programmes and is co-financed from the European Agricultural Fund for Rural Development (EAFRD).

SFP	Single Farm Payment - a key component of the CAP since the 2003 reform which sees farmers receive a decoupled Single Payment.
Transition measures	The mechanisms by which agriculture and rural development initiatives will be administered/supported during 2014, in advance of the new CAP being implemented in 2015.
WTO	The World Trade Organisation is an intergovernmental organisation. As of June 2014, it has 160 members i.e. some three quarters of the countries of the world. <sup>199</sup> WTO members recognise that they should work towards raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.

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<sup>199</sup> WTO website, observers page as viewed on 27 October 2014

## Appendix 2 Key Documents

### England

All of the CAP reform documents for the UK Government can be found at [www.gov.uk/cap-reform](http://www.gov.uk/cap-reform). These include:

- Defra, *Implementation of CAP reform in England: Consultation paper*, 31 October 2013
- Defra, *Consultation on the implementation of CAP reform in England: Summary of responses and Government response*, December 2013
- Defra, *Consultation on the implementation of CAP reform in England - Summary of responses and Government response on remaining issues*, 14 February 2014
- Defra, *Consultation on the implementation of CAP reform in England: Government decision on the moorland rate*, May 2014
- Defra, *Consultation on the implementation of CAP reform in England: Government decisions on greening*, 6 June 2014

### Key Information for farmers and landowners

- Defra, *The new Common Agricultural Policy schemes in England: October 2014 update*, 28 October 2014
- Defra, *The new Common Agricultural Policy schemes in England: August 2014 update*, August 2014
- Defra, *An introduction to the new Common Agricultural Policy schemes in England*, April 2014

### Ireland

All CAP reform documents for Ireland can be found on the [Department of Agriculture, Food and the Marine website](#), for example:

- [DAFM page on the CAP](#) which includes consultation papers and an introduction to direct payments for 2015;
- DAFM, *Final texts of CAP reform regulations*
- If most recent information is not available at above pages, search under [Press](#), for example, [Coveney submits draft of €4 billion Rural Development Programme to EU Commission](#), 3 July 2014

### Northern Ireland

All CAP reform consultations and decisions are available on the Department of Agriculture and Rural Development website at:

<http://www.dardni.gov.uk/index/grants-and-funding/common-agricultural-policy-reform.htm>

See for example:

- [CAP Pillar 1 Direct Payments: Decisions to date](#), 11th July 2014

In lieu of key Pillar 1 implementation decisions, DARD has now also created a Countdown to CAP section on their website which aims to provide practical guidance to stakeholders, which can be accessed at the following link:

<http://www.dardni.gov.uk/index/grants-and-funding/countdown-to-cap.htm>

### **Scotland**

The Scottish Government website page [Common Agricultural Policy](#) has links to all of the relevant consultations and implementation decision statements. These include:

- Scottish Government, [Report on results from the Scottish Government consultation on future CAP direct payments in Scotland](#), 11 June 2014
- Scottish Government, [Analysis of Responses to the Second Consultation on the Scottish Rural Development Programme 2014-2020 Summary Report](#), 11 June 2014
- Scottish Government, [Annex Report - Analysis of Responses to the Second Consultation on the Scotland Rural Development Programme](#), 11 June 2014

### **Wales**

In Wales, the Welsh Government held an [initial consultation](#) on the Rural Development Plan from February to May 2013. It then published a [further consultation paper](#) on direct payments in July 2013, which set out the decisions it proposed to take to implement CAP reform. This consultation ran until 30 November 2013. It has since published:

- Welsh Government, [Common Agricultural Policy Reform - Direct Payments to Farmers: Decisions](#), January 2014
- Welsh Government, [Proposals for the Glastir scheme part of the rural Development Programme for Wales 2014-2020](#), January 2014
- Welsh Government, [Wales Rural Development Programme 2014-2020: Final Proposals](#), 17 February 2014
- [Written Statement: Further decisions on Pillar 1 of the Common Agricultural Policy](#), 1 July 2014
- [Oral Statement: The Rural Development Programme 2014-2020](#), 8 July 2014
- Welsh Government, [The Common Agricultural Policy Reform: Your Guide to the Basic Payment Scheme in Wales](#), July 2014



