



CLM Briefing Note

CAP Reform Proposals

November 2011

The European Agriculture Commissioner, **Dacian Ciolos**, has announced his proposals for the Common Agricultural Policy post 2013. The **proposals**, which had been leaked earlier in the year, set out the **themes** that the EU are attempting to address. There is still much to play for in the negotiations and the shape and **detail** will certainly change. The requirement for “**Co-decision**” of the EU Parliament and Council will almost certainly **delay** the implementation of the new regime. An “overhang” of the current scheme will cause many **frustrations**.

The specific proposals, as they stand, are widely considered to be **bad** for the environment and bad for **production**. We will have to wait and see whether Pillar 1 can be meaningfully “**greened**” whilst maintaining proper funding of targeted Pillar 2 schemes.

Summary of CAP Reform Proposals

The following is a summary of the key proposals announced on the 12th October 2011.

Timing

The next EU budget period is 2014 to 2020 but the successor to SPS is not now expected to commence until 2015. This probably means the current SPS will continue to run in 2014, which could give rise to funding and administration issues for that scheme year.

EU Budget

Yet to be agreed by the member states for the next fiscal perspective but EU agricultural commissioner Ciolos currently proposes:

	2013	2014	2020
Pillar 1 [Direct Support]	€43.50	€42.20	€38.06
Pillar 2 [Rural Development]	€13.90	€13.60	€12.09
Total (Billions)	€57.40	€55.88	€50.16

New Entitlements

2011 will be a “reference year”. Those that submitted an SPS application in 2011 will be eligible to make an application for the new entitlements post 2013. Those that did not submit a 2011 SPS application will NOT be eligible. Existing entitlements cease to exist 1st January 2014 (or 2015), replaced by new entitlements which will be established in 2014 (or 2015).



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New Payment Composition

The total English payment is likely to be broadly equal to the 2012 SPS payment – subject to currency exchange. In order to receive the basic portion of the payment it will be necessary to comply with the greening proposals.

The “Basic Payment” equates to 70% of the claim and is payable on entitlements which will be allocated to eligible hectares declared in the first May of the new scheme. 30% will relate directly to “greening”.

“Greening” Proposals

- At least three crops to be grown on arable land. No one crop more than 70% and no one crop less than 5%.
- 95% of Permanent Pasture must be retained (affects land declared as Permanent Pasture in the first year of the scheme).
- 7% of arable area set to Ecological Focus Areas (EFA) such as fallow land, landscape features and buffer strips.
- EFA not required if farm 100% organic.

“Active Farmer” Test

This is not a test of whether actively farming and not a test of whether farming is “main income” BUT tests if subsidy income is small compared with non-agricultural gross income. Direct support payments must be equivalent to at least 5% of the receipts from non agricultural activity in the previous fiscal year.

This test does not apply to those that receive less than €5,000

Capping

Applies to basic payment portion only, not greening.

- 20% cut on €150k to €200k
- 40% cut on €200k - €250k
- 70% cut on €250k to €300k
- 100% cut on payment above €300k

But payment threshold calculated after “salaries paid and declared in the previous year” have been deducted.

Young Farmer Payment

Qualifying applicants must be:

- Aged under 40 at 15th May 2014 (or 2015)
- New to agriculture within 5 years of start of scheme
- Head of the business
- Starting in 2014 (or 2015) or in previous 5 years

For those that qualify the Young Farmer Payment adds 25% to the basic payment to a maximum of between 25 hectares and 54 hectares for up to 5 years.



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CAP Reform

YOU AND YOUR BUSINESS

2011 status

In order to **establish entitlements** under the new scheme you must have made an SPS **claim in 2011**. This obviously has important implications for those restructuring their business in the **intervening period**. Any changes to partnerships for example need to be carefully considered in order to avoid losing **eligible status** to establish entitlements under the **new scheme**. There is provision within the proposals for a **business** that claimed in 2011 to pass on its eligible status or **golden ticket** to another business. However this ticket **cannot be split** and once passed on is lost to the original business. This needs to be considered during any **land sales**.

Permanent Pasture

5% **cap on converting** permanent pasture from 2014 to 2020 should not be taken lightly. If you are concerned about **maintaining flexibility**, ensuring arable status and maintaining capital values post 2014 you might consider **ploughing up** permanent pasture before 2014. If so then an **Environmental Impact** Assessment may be required before you **dust off the plough**.

Ecological Focus Areas

The EU have recently stated that management options within **Environmental Stewardship** schemes can be used to **count towards** the proposed 7% Ecological Focus Area. The issue of how this will fit with the EU's **double funding** rules is yet to be clarified. Although an **accreditation scheme** has been mooted which may allow you to retain ES **payment levels** and fulfill EFA requirements.

Active Farmer

The proposals regarding the 'active farmer' test have **no bearing** on how muddy your boots are but in effect test whether your **subsidy income** is significantly small compared to your **non-agricultural gross income**. If this proposal is carried through it will penalise businesses with a large **income from diversification** or other sources.

For Further INFORMATION
On the ACTION You Should be Considering NOW Call One
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