

PILLAR 1 - FACTSHEET

Media and stakeholder factsheet Future CAP Direct Payments in Scotland 2015 – 2020

Over the last year, there have been many discussions on how future Direct Payments can be best made in Scotland. The Scottish Government's CAP Stakeholder Group has met throughout the year to discuss possible ways forward, a public consultation has been carried out and a further public engagement programme has also been undertaken.

Europe published the main regulations for the future CAP in December 2013, and these require us to notify Europe of many of the key decisions by August 1st 2014. However, the delegated acts and implementing rules which set out much of the fine detail have still not been published. This document outlines the main decisions that have been taken so far which will form the basis of our notification to Europe in August. Further information and guidance for farmers will be produced in due course when all the detailed rules are known.

Basic Payments:

Future Basic Payments in Scotland will be paid on an area basis and to reflect the variation in land across Scotland, will be based on traditional **land quality**.

There will be **three Payment Regions** which will determine the final area rates of the Basic Payment.

- **Payment Region 1** (around 1.8m hectares) will include parcels of better quality agricultural land that has been typically used for arable cropping, temporary grass and permanent grass. Rough grazing will not be included in Payment Region 1.

Rough grazing will be split between two further payment Regions.

- **Payment Region 2** (around 1.0m hectares) will include parcels of better quality rough grazing which have been designated as LFA grazing categories B, C and D.
- **Payment Region 3** (around 2.0m hectares) will include parcels of the poorest quality rough grazing which have been designated as LFA grazing category A.

In recognition of the difference in land quality, **the budget** will be distributed between these two Payment Regions to achieve a balance in 2019 that reflects the variation in the productive capacity of the land. Depending on the area of eligible land declared for the new scheme, the 2019 combined area rates for Basic Payments + Greening Payments would be in the order of €220/ha for eligible land in Payment Region 1, €35/ha for eligible land in Payment Region 2 and €10/ha for eligible land in Payment Region 3. Voluntary Coupled Support (VCS) payments would be in addition to this.

Transition to area-based payments:

The **initial 2015 value** of payment entitlements will take account of a farmer's historic Single Farm Payment (SFP) value. Between 2015 and 2020, payment entitlement values within each Payment Region will converge so that **by 2019**, all payment entitlements **have a common value** of the regional area rate.

Eligibility & area of land:

Farmers will be able to apply for entitlements to the new Basic Payments if they are able to demonstrate **agricultural activity**, for example, by having **activated a Single Farm Payment (SFP)** entitlement in 2013, or by having other **verifiable evidence** of farming activity. In 2015, eligible, active farmers will be allocated the number of payment entitlements equivalent to whichever is the **smallest** of the **number of eligible hectares declared in 2013 or 2015**.

Negative List:

Sporting estates will be added to the list of business types to be **excluded** from future direct payments. Regulations already stipulate that airports, railway services, waterworks, real estate services, permanent sport and recreational grounds are to be excluded from direct payments unless they are able to demonstrate that they are active farmers.

Minimum activity requirement – Scottish clause:

Farmers will be required to demonstrate they are undertaking some type of **minimum activity on land that is naturally kept in a state suitable for grazing or cultivation**. In Scotland this area is typically **rough grazing land**. Minimum activity requirements will include a **minimum stocking density** (with derogations) as well as other **alternative measures**.

New entrants:

There will be a **package of measures** under both Pillars of the CAP specifically targeted at new entrants. **Existing new entrants** will be eligible for Basic Payment entitlements if they are able to produce **verifiable evidence** of farming activity in 2013. They will also be able to apply to the **National Reserve to top up** the value of their payment entitlements to the **regional average value from Day 1**. **Future new entrants** will also be allocated entitlements from the National Reserve and funding will be generated by **further top slices** to the Basic Payment ceiling.

Capping, siphon and windfall profit:

Europe requires a mandatory 5% deduction to all Basic Payments over €150,000. This is a process known as degressivity. In addition to the mandatory 5% degressivity deduction there will be a **cap on Basic Payments at €500,000 after taking labour costs into account**. Greening, Young Farmer Scheme (YFS)

payments and Voluntary Coupled Support (VCS) payments are not subject to either degressivity or capping.

There will be a **siphon on sales** of entitlements without land and the **windfall profit** measure will be applied where there is an increase in entitlement value due to ending or sale of lease.

Voluntary Coupled Support (VCS):

Subject to the agreement of the rest of the UK and Europe, Scotland intends to use **8%** of its revised national ceiling for coupled support payments to the **beef industry** with up to a **further amount 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. Beef coupled support payments will be **front loaded**, with double the rate paid on the first 10 calves. Beef calf producers on Scottish islands will receive higher rates than mainland producers.

In addition, again subject to the agreement of the rest of the UK and Europe, Scotland intends to target coupled support payments for **sheep** to help Scottish farming businesses which **are reliant on rough grazing**.

Young Farmer scheme: Top up payments to farmers **under 40y** at the time of applying will be available. The payments which will be made on **up to 90 hectares** of a farmer's claim, will be top ups of **25% of the regional average** entitlement value.

Greening:

There will be a package of Greening measures including **some standard and some equivalent measures** that are tailored to Scottish needs. Under the **Crop Diversification** measure farmers will be allowed to choose between Europe's standard Greening requirement and an equivalent 'winter soil cover' requirement, or an equivalent 'catch crops' requirement. For the **Permanent Grassland** measure we are required to designate important grasslands in Natura 2000 sites but **will not** make use of the option to designate further grasslands. A **mandatory requirement for farmers on permanent grasslands** will require them to produce a **nutrient management plan**, however, the aim is to target this to the **most intensive farms**. Standard measures will be implemented under the **Ecological Focus Area** requirement and features such as **fallow, buffer strips along watercourses and field margins, catch crops** and **nitrogen-fixing crops** (with management prescriptions) will count towards the requirement. The option to implement the EFA requirement at a regional or collective level will not be implemented in Scotland.

Standard greening measures will be implemented as of 1 Jan 2015 however if the equivalent measures have not been approved by the Commission in time, equivalence will be implemented from 1 Jan 2016.