From: Holmes, Amy (ERG-MAR)
To: [redacted]
Subject: NFU: Capping
Date: 30 August 2012 16:04:15

[redacted]

As discussed I just met with [redacted], nothing major to report and [redacted] is about to go on 2 weeks leave so [redacted] mind is elsewhere.

However, we did cover capping. The NFU met with CLA and some of the major farmers over the summer to discuss capping. They have gone through the issues and are clear that they still want the salary test included if capping should occur on the assumption that (1) the ceiling that the Commission have used is wrong and will come down (2) it is voluntary whether the farmer decides to use the option of the salary test to mitigate the effects of capping. They accept that the onus will be on the farmer to provide evidence of salaries and that this may include having to give permission for the RPA to discuss with HMRC.

They would also look favourably on contracted employment being included as they feel there could be a way through this, but [redacted] was less clear on what would be, (but sounded like invoices clearly stating what amount was for labour and what amount was for machinery). However, we are less likely to hear this from them publically as they are worried about complaints about the knock on effect on labour costs.

You have been looking at fall backs over the summer including using the option of an accountant's declaration on salaries similar to the approach used in Pillar 2 – this would cost the farmer but places the burden of proof on them. You are going to circulate a paper for discussion on this and other capping fallbacks which will need to go to Ministers, after which please do follow up and discuss with [redacted].

[redacted] – you are looking at dates for the greening stakeholder meeting which we need to set up asap – [redacted] is away the first 4 days in October.

[redacted] – The NFU are looking to invite someone over from the Commission to talk to them about Producer Organisations as they are

getting worried that if they are voluntary but are implemented by the rest of the EU and not in England then English farmers will be missing out on a potential benefit. They want to know what the benefits are (and the associated funding). I got the impression that the NFU may start to be a little more vocal on this.

Thanks

Amy

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