



Department
for Environment
Food & Rural Affairs

Direct Payments Consultative Group

4 July 2013

Agenda

1. Minutes and matters arising
2. Stage of negotiations
3. Voluntary Coupled Support
4. Degressivity, salary mitigation and the redistributive payment



Minutes and matters arising

1. Minutes and matters arising

John Roberts

Stage of negotiations

2. Stage of negotiations



Direct Payments Negotiations Team



Voluntary Coupled Support

3. Voluntary Coupled Support



Defra Policy Lead





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Proposals for degressivity and salary mitigation within Pillar I (formerly ‘capping’)



'Degressivity' proposals in England

What's the background?

The June agreement on CAP Reform requires Member States to apply reductions to beneficiaries receiving direct payments above a certain threshold.

This replaces the proposal to apply a maximum cap.

'Degressivity' proposals in England

What's the detail? (1)

The reductions are to be calculated as follows:

Amount up to €150,000	no reduction
€150,000 to €300,000	at least x% reduction
Over €300,000	at least x% reduction

The minimum percentage “x” has not yet been determined in the reform negotiations. The member state may set any % above “x”, and may also set intermediate thresholds.

‘Degressivity’ proposals in England

What’s the detail? (2)

- Greening payments are probably excluded from reductions (the text is not clear).
- Reductions will be transferred to pillar 2.
- Artificiality provision:

Claimants cannot gain any advantage by dividing their holdings.

“No advantage shall be granted to claimants who artificially created the conditions to avoid the effect of degressivity since 19 October 2011.”

'Degressivity' proposals in England

What's the detail? (3)

- **Salary mitigation**

- Member States may opt to deduct salaries related to agriculture from amounts subject to reduction.

- **Redistributive payment**

- Member States may make a redistributive payment instead of applying degressivity.



'Degressivity' proposals in England

Intersection with other issues

- **Redistributive payment:** This can replace degressivity or be in addition to it.
- **Regionalisation of BPS:** Increasing the proportion of BPS payments made in the SDA increases the number of farmers subject to degressivity and the amounts generated, since upland farms are generally larger.

'Degressivity' proposals in England

Who would lose?

- Difficult to provide useful figures without knowing the rates of degressivity applicable at various thresholds.

'Degressivity' proposals in England

Government's initial view: (1)

- The UK has argued for a freestanding, competitive farming industry. It does not welcome subsidies that artificially support one type of farm structure over another.
- Degressivity would reduce the freedom of farmers to arrange their business as they wish, by providing an incentive to reduce the size of farms.



'Degressivity' proposals in England

Government's initial view: (2)

- The Macdonald Task Force said: *"We recommend that the Government opposes any proposals in the EU to introduce a cap on direct payments (whether absolute or graduated) for single business claims"*.
- The Government commitment in response was: *"Continue to oppose the Commission's proposal to cap direct payments"*.

'Degressivity' proposals in England

Government's initial view: (3)

- No decision has been made on how degressivity might be applied.
- No decision has been made on whether to apply salary mitigation, but will wish to consider the burden imposed on both farmers and RPA.



'Degressivity' proposals in England

Government's initial view (4):

- It will be difficult for RPA to assess whether farms have been artificially splitting their business to maximise a payment, or for some other legitimate business purpose.
- If the option for salary mitigation is adopted, it will be difficult :
 - to explain the system to farmers;
 - to verify salaries;
 - to establish which salaries are related to agriculture.

‘Degressivity’ proposals in England

Next steps:

- We are seeking your views on:
 - the level of degressivity (thresholds and percentages);
 - the control of artificiality;
 - the application of salary mitigation.





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Option for redistributive payments within Pillar I



Option for redistributive payments in England

What is it?

- The Direct Payments Regulation will contain a provision to redistribute funds within Pillar I to support smaller farmers.
- This is optional.
- If redistributive payments were used, there is the option of not applying the degressivity provisions.

Option for redistributive payments in England

What's the detail?

- Up to 30% of direct payments can be redistributed to 'top-up' a claimant's basic payment by up to 65% on up to the first 54 ha of their land. Redistribution can be either:
 - Flat rate;
 - Graduated.
- The size of eligible ha can be set at <54 ha and can be set annually.
- Claimants must not divide their holdings to benefit from the redistributive payment.

Option for redistributive payments in England

Flat-rate top up of first 50 ha

Based on SPS 2012 data assuming minimum 5 ha entry threshold

		Payment per Hectare (€)			
		Basic Payment	Greening	Redistribution	Top up as % of Envelope
Scenario 1 No Top Up	Non-SDA	€ 184	€ 79	€ 0	0%
	SDA	€ 148	€ 63	€ 0	
	Moorland	€ 26	€ 11	€ 0	
Scenario 2 10% Top Up	Non-SDA	€ 177	€ 79	€ 18	3%
	SDA	€ 142	€ 63	€ 14	
	Moorland	€ 25	€ 11	€ 2	
Scenario 3 20% Top Up	Non-SDA	€ 171	€ 79	€ 34	5%
	SDA	€ 137	€ 63	€ 27	
	Moorland	€ 24	€ 11	€ 5	
Scenario 4 65% Top Up	Non-SDA	€ 147	€ 79	€ 96	14%
	SDA	€ 118	€ 63	€ 77	
	Moorland	€ 21	€ 11	€ 13	

Option for redistributive payments in England

Who would win and lose?

Based on SPS 2012 data

SCENARIO 1 – NO TOP-UP					
Farm type	Hectares	Basic Payment	Greening	Redistribution	Total
Small Dairy	80	€ 14,720	€ 6,320	€ 0	€ 21,040
Large Dairy	200	€ 36,800	€ 15,800	€ 0	€ 52,600
Large Cereals	300	€ 55,200	€ 23,700	€ 0	€ 78,900
Specialist Pig	50	€ 9,200	€ 3,950	€ 0	€ 13,150
LFA Grazing (120ha SDA, 40ha Moorland)	160	€ 18,800	€ 8,000	€ 0	€ 26,800

Option for redistributive payments in England

Who would win and lose?

Based on SPS 2012 data

SCENARIO 4 – 65% TOP UP ON FIRST 50 HA

Farm type	Hectares	Basic Payment	Greening	Redistribution	Total
Small Dairy	80	€ 11,760	€ 6,320	€ 4,800	€ 22,880
Large Dairy	200	€ 29,400	€ 15,800	€ 4,800	€ 50,000
Large Cereals	300	€ 44,100	€ 23,700	€ 4,800	€ 72,600
Specialist Pig	50	€ 7,350	€ 3,950	€ 4,800	€ 16,100
LFA Grazing (120ha SDA, 40ha Moorland)	160	€ 15,000	€ 8,000	€ 3,850	€ 26,850

Option for redistributive payments in England

Questions

- We are seeking your views on the option of redistributing payments within Pillar I.
- What are your initial views on redistribution as an alternative to degressivity?