

## Briefing for SoS attendance at the NFU's annual conference

### Capping payments to large farms

Top lines:

- Successive UK Governments have been opposed to capping. It's not because we think it's a good idea for big public subsidies to go towards large farm businesses – we want to see a reduction in subsidy across the board.
- But capping would be difficult to administer as well as lead to farms restructuring into units which are smaller, in order not to lose out on subsidy. But those smaller units are likely to be less efficient in producing food, and in managing our countryside.
- It would also attack bodies like the National Trust who deliver many environmental and rural benefits.
- Fundamentally, the UK wants a very substantial cut in all income support subsidies, not just capping for a few.

### Background

- The Commission's draft Direct Payments Regulation proposes a measure to cap payments to large beneficiaries (those receiving over €150k). It sets out that:
  - payments will be progressively reduced starting with a 20% cut for amounts over €150k and graduating to a 100% cut for amounts over €300k;
  - in order to take account of on farm labour, the basic payment figure taken into account for capping purposes will be net of salary costs (including tax and social contributions), not including wages to family members or contactors;
  - the 30% payment for greening practices will be exempt from capping
  - the Commission will estimate upfront the amount to be obtained from capping each year for each Member State;
  - capped monies will stay within the MS and be allocated to Pillar 2 innovation schemes;
  - MSs are required to ensure farms do not artificially circumvent capping (e.g. by abusive splitting or handing over to a relative).
- The Commission justifies capping by saying it is needed to address a disproportionate amounts of payments to a small number of large beneficiaries. They have fiercely defended the proposal in working groups in the belief that larger beneficiaries benefit from economies of scale and therefore do not require the same level of support as other farms. This, they say, is part of their overall objective to better target direct payments.

## **Briefing for SoS attendance at the NFU's annual conference**

- The UK is opposed to capping outright. Our main concern is one of the behavioural response as capping will provide an incentive for farms to divide in order to avoid reduced payments, creating administrative upheavals for both the farmer and paying agencies, and damaging competitiveness.
- The greatest complexity will be around checking salary details in the future which will be a near impossible task to do with a 100% accuracy leading to a large administrative burden for farmers and paying agencies and a likely cause of future disallowance.