



Rural Payments
Agency

CAP reform in England: What you need to know now

February 2014



This is the last year of the Single Payment Scheme (SPS). In 2015 there will be a new scheme called the '**Basic Payment Scheme**' (BPS).

There is still a lot we don't know about the new scheme but we'll let you know more once the European Union (EU) has agreed all the details. However, there are two particular things you need to think about this year and this leaflet explains more about them. They are:

- **Entitlements:** you need to think about how to use your entitlements this year and when you can transfer them (if you want to); and
- **Crop diversification:** this is one of the new BPS 'greening' rules for arable land. You need to know what evidence to keep about cropping in 2014 if you want to apply for an exemption in 2015.

You won't have to do anything differently when you fill in your SPS 2014 application – you should follow the latest scheme guidance as normal.



In this leaflet you'll see this symbol wherever there is important information that you need to know for 2014.

Legal Notice

This leaflet is our interpretation of the current regulation and draft regulations for the Basic Payment Scheme. It is not a definitive statement of the law. Only the courts can give this. We reserve the right to review our position if circumstances change, for example, when the European Commission publishes their final regulations, if they issue new guidance or we change how we interpret the regulations. We cannot advise you or your legal representatives. You may want to get independent professional or legal advice before you change anything about your farm business.

Entitlements

The new scheme will be based on entitlements. And just like for SPS, you'll need 1 hectare (ha) of eligible land to claim payment against (or 'activate') any one entitlement.

The important things you need to know now about entitlements for BPS in England are:



- **You won't have to apply for new entitlements:** The SPS entitlements you hold on 31 December 2014 will become your BPS entitlements on 1 January 2015 (although the values will change). You don't need to have claimed SPS in 2013 to qualify.

However, you won't be able to activate your new BPS entitlements if you're not an 'Active Farmer' or if you don't have at least 5ha of eligible land and at least 5 entitlements. You'll still be able to transfer them to an 'Active Farmer'. We'll tell you more about the Active Farmer rules later this year.

- **You'll keep your entitlements as long as you declare enough hectares of eligible land on your BPS 2015 application. If you have an excess of entitlements, you'll lose them.**

This means that in 2015 you'll need to declare enough hectares of eligible land to support the BPS entitlements you hold. The land you declare must be in the same 'region' as the entitlements you activate.

You'll lose any excess entitlements. This includes any entitlements that you have leased in.



- **The 2 year entitlements usage rule will still apply under BPS and your SPS usage will count under the new scheme:** This means:
 - any entitlements you didn't activate for SPS in 2013 must be activated for SPS in 2014 if you want to keep them for BPS; and
 - any entitlements you activated in 2013 - but don't activate for SPS 2014 - must be activated for BPS in 2015 or you'll lose them.



Transferring entitlements

- **Transferring SPS entitlements before the 2 April 2014 deadline:** Just as in previous years, you have until midnight on 2 April 2014 to tell us if you want to transfer entitlements in time for somebody else to activate them for SPS 2014.
- **Transferring SPS entitlements after 2 April 2014:** You can continue to transfer entitlements until midnight on 19 October 2014.

From 20 October until mid January 2015, you won't be able to transfer entitlements. That's because we'll be getting ready to change your SPS entitlements into BPS entitlements.
- **Transferring BPS entitlements in 2015:** From mid January 2015, you'll be able to transfer your new BPS entitlements to an Active Farmer. We'll let you know the exact date later in the year.

Greening

From 2015, approximately 30% of your payment will depend on meeting new 'greening' rules. Land certified as organic will qualify for the greening payment automatically.

'Greening' is a new term for agricultural practices that help the climate and the environment. We'll tell you more about this later in the year.

There will be 3 greening rules. These are:

- 1 **Crop diversification:** farmers with between 10ha and 30ha of eligible arable land will usually need to grow at least 2 crops. Farmers with over 30ha of eligible arable land will usually need to grow at least 3 crops.

It's important that you understand about crop diversification and what it might mean for you in 2014 – we've included more information below.

- 2 **Permanent grassland:** The percentage of permanent grassland – compared to the agricultural area – in England must not fall by more than 5%. If this happens, farmers who have ploughed permanent grassland may have to reinstate it and there will be restrictions on any further ploughing of permanent grassland.
- 3 **Ecological Focus Areas:** farmers with more than 15ha of eligible arable land must create an 'Ecological Focus Area (EFA)'. This must be equivalent to 5% of their total eligible arable land. We'll tell you more about Ecological Focus Areas later in the year.

There is still a lot we don't know about the greening rules. But it's important that you read the guidance below about crop diversification because it might affect you.

Greening: Crop diversification and exemptions

The crop diversification rules will apply to arable land only. Some farmers will be able to apply for an exemption to these rules (see '**Applying for an exemption**' below).

For BPS, 'arable land' is defined as:

- land cultivated for crop production. This includes temporary grassland (5 years old or less); and
- areas available for crop production but lying fallow. This includes some land set aside under Natural England Rural Development agreements (we'll include more details later in the year).

A 'crop' is defined in Article 44(4) of Regulation (EU) 1307/2013. We'll give you more information about the different type of crops covered by the crop diversification rules later in the year.

The table below explains how many crops you must grow on your holding.

If your holding has...	You must grow...
<p>...between 10ha and 30ha of eligible arable land.</p>	<p>...at least 2 different crops on your arable land.</p> <p>Under the greening rules, Winter and Spring varieties of a crop will count as different crops.</p> <p>Your largest crop must not cover more than 75% of your arable land.</p>
<p>...more than 30ha of eligible arable land.</p>	<p>...at least 3 different crops on your arable land.</p> <p>Under the greening rules, Winter and Spring varieties of a crop will count as different crops.</p> <p>Your largest crop must not cover more than 75% of your arable land.</p> <p>The two largest crops together must not cover more than 95% of your arable land.</p>

Applying for an exemption

There are 3 ways you can get an exemption to the crop diversification rules when you apply for BPS in 2015. These are if:

1 more than 75% of your eligible land is:

- permanent grassland;
- used to produce grasses (or herbaceous forage);
- used for the cultivation of crops under water; or
- a combination of the above

and your remaining arable land is 30ha or less.

2 more than 75% of your arable land is:

- lying fallow;
- used to produce grasses (or other herbaceous forage); or
- a combination of the above

and your remaining arable land is 30ha or less.

3 you have new land and different crops. There are two parts to this exemption:

- more than 50% of the eligible arable land you declare on your BPS 2015 application must be different to the land you declared on your SPS 2014 application;
- and
- all the eligible arable land you declare on your BPS 2015 application must be used to grow a different crop from the 2014 calendar year.

We've included more information about this below because you might need to collect cropping records during 2014 to qualify in 2015.

Exemption 3: cropping records for 2014

If you apply under exemption 3 (above) you'll need to show that all the crops grown on your land in 2015 are different to those grown in 2014. To do this, you'll need to have information to prove which crops have been grown on the land in 2014.

This information could include:

- crop traceability records;
- pest monitoring and spray records and invoices;
- seed labels;
- sales and delivery notes for seed sown;
- geo-tagged photography; and
- reports from an independent professional like an agronomist or a farm assurance inspector.

For the new land you declare, you'll need to get this information from the previous farmer if you don't already have it.

If you get an exemption from crop diversification, you must still follow the other greening rules.

Artificiality

You will not get an exemption if we find that you have artificially created the conditions to qualify for it, with a view to obtaining an advantage contrary to the objectives of the scheme.

Land use codes in your SPS 2014 application

You won't need to do anything differently when you fill in your final SPS application this year – you should follow the scheme rules as normal. The land use codes for SPS 2014 are the same as last year and are listed in the SPS 2013 handbook. You should read this along with the SPS 2014 supplement.

More information about CAP reform

Regulation (EU) 1307/2013 is the main European regulation covering the BPS and greening rules. More detailed regulations haven't been agreed yet.

For more information search 'CAP reform' at www.gov.uk/defra.

When we know more about the rules of the new schemes, we'll publish more guidance. We expect to be able to tell you more in spring 2014.

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