

## Email Alert 8 April 2009

### Farm Woodland and Single Payment Scheme rule changes

#### Introduction

In February 2009 the EU approved a change in Single Payment Scheme (SPS), such that land eligible for SPS in 2008 will continue to be eligible to receive SPS even when it is subsequently afforested under a grant scheme such as the English Woodland Grant Scheme (EWGS). This has an impact on farm woodland payments under EWGS and the legacy Farm Woodland Premium Scheme (FWPS), because the rates have always taken account of loss of SPS payments as well as agricultural income foregone.

We have reviewed with an agronomist the agricultural income foregone and have now reached a conclusion on what the effect is on existing schemes and the revised payments rates for new applications and existing agreements where there is an ongoing eligibility for SPS. The effect of the SPS rules changes vary depending on different circumstances, as explained below. Please note that the proposed payment rate changes have to be independently verified and then approved by the EU before we can confirm them with absolute certainty, and this may take a few months

#### What's the effect on my farm woodland payments?

##### (a) New EWGS woodland creation grant applications from 1<sup>st</sup> May 2009

Land managers proposing to plant woodland under EWGS on land which received SPS in 2008 will be able to receive the proposed Farm Woodland Payment (FWP) rates, as well as continuing to claim SPS on the same land, without any double funding risks or deductions. At the same time we have taken the opportunity to simplify the payment structure and align it more closely with the categories used for defining SPS payments:

*Table 1 – proposed new rates based on agricultural income foregone alone*

Land Use / Location*	Proposed Farm Woodland Payment rate (£/ha/yr)
Arable land in the lowlands	£300
Other improved land in the lowlands	£200
Unimproved land and/or land in the Uplands	£60

\*Lowland = land outside the Severely Disadvantaged Area (SDA), i.e. outside Less Favoured Areas and land in Less Favoured Areas but that are not SDA.

\*Upland = land in Severely Disadvantaged Areas (SDA).

This is good news for woodland planting. In the vast majority of cases where the land is eligible for SPS the total payment to the land manager of SPS+FWP will be substantially greater than was available under the old FWP rates alone.

Non-farmers will continue to be capped at €150/ha/yr. The payment period will continue to be 15 years for broadleaf woodland, 10 years for conifer woodland. At this stage we expect to have EU approval in time to confirm payment rates before the next planting season.

#### Do I need to do anything?

If you intend to submit an application for woodland creation and continue to claim SPS, you should declare your land for SPS this year on your SP5 form. In terms of EWGS, we will be open for woodland creation applications from 1<sup>st</sup> May 09.

## (b) Existing Schemes where SPS or set aside was claimed in 2008

The vast majority of existing farm woodland (FWP and FWPS) cases are not eligible for SPS and will be treated under section (c) below. However, there are two types of case where land may have been eligible for SPS in 2008:

- Land with an approved EWGS agreement but trees were not planted until 2009.
- Land already planted with trees and claiming FWP or FWPS but where it was used as part of a land manager's SPS set-aside allocation in 2008.

You can continue to claim SPS on the land with new woodland, provided:

- (i) the land was declared under SPS in 2008 (e.g. arable, permanent pasture), or declared as set aside (code SA2 on the SP5 form) and
- (ii) the farm woodland rate does not over compensate for the retention of SPS payments

Based on the current and proposed new rates in table 2, there will be no effect for around 80% of these existing scheme holders where the land was eligible for SPS in 2008:

*Table 2 – effect of new rates on current contracts where SPS/set aside is also claimed*

Current land use / location	Current payment rate	New Rate	Is the new rate lower?
<b>Arable</b>			
Outside Less favoured Areas (OLFA)	300	300	N
Less favoured Areas (LFA)	230	230	N
Severely Disadvantaged Areas (SDA)	160	60	Y
<b>Other improved land</b>			
OLFA	260	200	Y
LFA	200	200	N
SDA	140	60	Y
<b>Unimproved land</b>			
OLFA	60	60	N
LFA	60	60	N
SDA	60	60	N

Where the rates remain the same, we will continue to pay farm woodland payments and you can continue to claim SPS/set aside on the same land.

Where the new rate is lower, we will contact you later in the year giving you the option of either:

- (i) agreeing to amend to the new rate, allowing you to continue claiming SPS/set aside payment on the same land
- (ii) remaining on the current rate, which means you cannot claim SPS or set aside on the same land and we will have to deduct a SPS value before paying your farm woodland payment.

### Do I need to do anything?

In order to continue claiming SPS/set aside, you should use the code "SA2" when submitting your SP5 to the Rural payments Agency.

Over the summer we will contact scheme holders where the new rate is lower than before, asking you to amend the contract so you can continue to claim SPS/set aside – there is no need to submit an amendment.

If you agree to cease claiming SPS/set aside, your farm woodland payment rates will remain the same as before. In the vast majority of cases we expect it will be more beneficial for the land manager to amend to the new lower rate of FWP/FWPS and to continue claiming SPS.

**(c) Other approved schemes where SPS/set aside wasn't claimed in 2008**

These schemes remain unaffected by the rule changes. The only potential change in farm woodland payment rates would be through a full payment rate review which is not planned until 2011. Payments are liable to go up or down depending on income foregone at that time.