

## Paying Agency Update

### Purpose

1. To outline changes to Single Payment Scheme (SPS) and impact on Farm Woodland Payments (FWP), and to seek views of AFG on way forward. To feedback on May action points.

## SPS Changes and Impact on FWP

### Background

2. During the summer the European Commission have been consulting on a draft regulation to implement the Common Agricultural Policy 'health check'. The regulation includes an article that clarifies land eligible for SPS and includes land subject to forestry agreements (i.e. FWPS and FWP) for the purpose of activating set-aside entitlements in 2008. With the abolition of set-aside the land would become ineligible for SPS and the provision is required to avoid disadvantaging them. The regulation is still in draft form but dialogue has confirmed that it will have wider effect than just FWPS/FWP land in set-aside in 2008.
3. It is now clear that any land eligible for SPS in 2008 will continue to be eligible for SPS in future years where it is:
  - FWPS and FWP land claimed under set-aside in 2008
  - Receiving SPS in 2008 but is subsequently afforested under Woodland Creation Grant (the case will not need to receive FWP).SPS payments would be at the normal rate.

### Implications for FWP

4. This has significant implications for FWP payment rate as they are based on the fact that beneficiaries lose entitlement to SPS as well as suffer loss of agricultural income when land is afforested. Adjustments to FWP rates will be required for 2009 onwards to avoid over-compensation.
5. In considering possible 'new' rates we have been mindful of the fact that 'non-farmers' are currently entering the scheme at €150/ha. Under RDPE 38% by area of FWP cases are receiving the capped non-farmer rate. There would be considerable simplification in limiting payments to no more than €150, as there would be no need to continue to distinguish between farmers and non-farmers to ensure the latter are capped at the appropriate rate.
6. It is difficult to estimate the SPS payment typically received by each FWP land category since entitlements are unique to each landowner. Although RPA can provide 'average' entitlement values for each of the three SPS 'regions', these cannot be adjusted to cropping types within the region. FWP(S) rates were last reviewed in late 2005 by a Defra agronomist who calculated SPS estimates for 2008 (mid point of the 2006-11 review period), these were further 'verified' by an economist from the Royal Agricultural College in late 2006 as part of the RDPE approval process. In the table overleaf the mean of the two estimates is used.
7. The unimproved land rates would need to be reduced to £40 to ensure no overcompensation occurred in relation to lost agricultural production.
8. There will be a cohort of cases already receiving SPS in 2008 (FWPS and FWP receiving set-aside payments and approved but unplanted FWP contracts) where either:
  - reductions of future SPS will have to take place (complicated because each beneficiary receives a different value of SPS), or

- the case will have to be amended to receive the new FWP rate.

## Current and possible future FWP rates and equivalent value

		Current rate	FWP capped at €150 (exchange rate 0.73)	SPS estimate	Total equivalent payment	% FWPS area in category 2007	% FWP area in category 2007
Arable	Outside LFA	300	110	186	296	51	48
	LFA	230	110	186	296	1	0
	SDA	160	110	162	272	0	0
Other imp	Outside LFA	260	110	156	266	28	25
	LFA	200	110	148	258	7	6
	SDA	140	110	103	213	5	3
Unimp	Outside LFA	60	40	104	144	N/a	16
	LFA	60	40	90	130	1	0
	SDA	60	40	69	109	7	2
	Moorland*	60	40	25	65		

\*Moorland does not exist as a separate FWP category

- The new regulation together with application of rates in this way has the following advantages:
  - No requirement to define and assess farmer / non-farmer status
  - Simplified payment structure
  - 10 Month rule no-longer acts as a constraint
  - Pillar one funds pay for axis 2 activity, freeing up forestry funds for other purposes
  - Most 'equivalent payment rates' increase
  - Future calculation/verification of FW rates simplified as SPS not a factor.
- The AFG are invited to comment on:
  - the proposals and any potential adverse effects,
  - the communication strategy that should be adopted to explain the change, given that any finally agreed rates will appear to be a reduction compared to current rates.

## May meeting action points

### 10 Month rule

- The interpretation discussed in May was correct, but the 10 month rule ceases to have any effect on Woodland Creation Grant schemes from 2009 onwards due to the foregoing.

### Legality of requiring SBI registration on existing contracts

- Discussion has been held with the Defra lawyer. To give a fully considered opinion would have required the provision of considerable background material in relation to the range of application forms, terms and conditions applying to various WGS and EWGS contracts. Even then it appeared likely that there would not be a conclusive outcome. The bottom line is that because the EU regulations require the use of SBI, inability of FC/RPA to provide one when making claims for EU reimbursement could result in the loss of c£2m of EU co-financing

related to pre-2008 cases. Because of the multiplier effect of co-financing this would have the overall effect of reducing the available forestry grants budget by around £4m per year. For this reason a firm line is being taken in England, Scotland and Wales with regard to the requirement for claimants to provide a customer registration number.

**Forestry Commission  
November 2008**