

Information Note

Farm Woodlands & Single Payment Scheme

1 Purpose

This information note explains:

- The EU rule changes regarding Forestry Commission Farm Woodland payments and compatibility with the Single Payment Scheme.
- The process during 2009 to update Farm Woodland payments in light of the rule change.
- How new applications and existing agreement holders are affected.
- Why there has been a delay in some Farm Woodland annual payments and what the FC has been doing about it.

2 Introduction

2.1 European Rule Change

New regulations regarding Farm Woodland (FW) scheme¹ compatibility with Single Payment Scheme (SPS) were approved in February 2009, related to the Common Agricultural Policy "Health Check". The rule change means some landowners can claim annual payments from the Forestry Commission and claim SPS on the same land.

2.2 Farm Woodland payment – review process

We started to review our FW scheme rates in March 2009 with a Defra economist to assess whether they had to be altered. The calculation process is very complicated, using a range of agricultural cost models to work out what the income forgone rate should be for different circumstances. Once we had those figures, we took the opportunity to simplify our payments to 3 rates at the same time. This work was completed in June 2009.

Once we decided on our proposed new rates, these had to be verified by an independent expert (a senior member of the Royal Agricultural College). This was done in July 2009.

¹ For the purposes of this information note, Farm Woodland schemes encompass Farm Woodland Premium Scheme (FWPS) and EWGS Farm Woodland Payments (FWP)

The new rates are:

Land use / location	New rate £/ha/yr	Old rate £/ha/yr
Arable land in the lowlands	300	230-300
Improved grassland in the lowlands	200	200-260
Unimproved land or land in the uplands	60	60-140

Before the new rates could be implemented, the Forestry Commission had to gain EU and Defra approval.

2.3 European Commission (EC) & Defra Approval

A submission to the European Commission (EC) was made in July 2009, when the verification report had been completed. We were confident that the rates are OK because we've followed the same economist / verification process as before and required by the Rural Development Programme regulations. The submission is not just Forestry Commission; it includes Natural England changes to their stewardship scheme, so we are only a small part of the submission. In autumn 2009 the EC raised queries regarding the submission but none regarding the new FW scheme rates.

Due to the urgency to approve new woodland creation contracts and begin planting, we approached Defra so we could approve applications at the new rates in advance of EC approval. As soon as we received Defra approval in November 2009 we started issuing EWGS contracts.

The FC received confirmation of EC approval on 18th January 2010 and immediately started to deal with existing agreements affected by the new rates.

3 Impact on applicants and existing contract holders

New Applications

All applications for woodland creation from 2009 will be offered the new SPS compatible rate.

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.

Approved schemes where SPS or set-aside was claimed in 2008

There are two types of agreement where land may have been eligible for SPS in 2008:

- Land with an approved EWGS agreement where trees were not planted until 2009.

- Land already planted with trees and claiming FWP or FWPS which 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:

- 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
- The farm woodland rate does not over compensate for the retention of SPS payments.

The majority of agreements eligible for SPS in 2008 will remain on the same payment rate as before but are now able to claim SPS as well.

4 What is the FC doing to help?

Foremost, we have developed the new FW scheme rates so landowners can receive more financial support than ever before, and to simplify the rates. Whilst it is frustrating that the EU approval delay has caused a delay in payment this year, the long term financial benefits to agreement holders are potentially significant.

Until we received EC approval, we couldn't formally offer the proposed new rates to affected agreement holders, even if the proposed rates are the same as before. Now we have EC approval, agreement holders were contacted as soon as possible:

- Notifying the majority that they will receive the same FW rate as before but can also claim SPS on eligible land.
- Where the new rate is lower, agreement holders can either remain on the current incompatible rate, or accept the lower FW rate and claim SPS.

Single Payment Scheme

To continue claiming SPS/set aside, you should use the code "SA2" when submitting your SP5 form. For thorough guidance on the Single Payment Scheme you should contact the Rural Payments Agency.