

COMMON AGRICULTURAL POLICY REFORM AND WOODLAND IN ENGLAND

Purpose

1. Changes to the Common Agricultural Policy (CAP) have potential implications for trees and woodland. The Forestry Commission in England is working closely with Defra on the details of the reform. A number of decisions on payment system have now been made, other issues remain to be decided. This note outlines what we see as the main impacts in England and indicates opportunities to contribute to consultation.

Summary of Reforms

2. In June last year the Agricultural Council of Ministers agreed the mid-term review of the CAP. The agreement has preserved many of the elements of the Commission initial proposals, while giving greater flexibility to those member states who were not prepared to fully decouple direct payments to farmers. The fundamental change is that Farmers will be paid on a per hectare basis, rather than for production (for instance numbers of animals or hectares of arable land).

3. Legislation underpinning the agreement was formally agreed in September. The European Commission, with Member States, is drafting detailed rules. At this stage, therefore, the effect of any particular action on a farmer's position under the single payment scheme (SPS) remains unclear. The main points agreed in June were:

- The bulk of direct payments to farmers to be decoupled¹ from agricultural production by introduction of the Single Payment Scheme (SPS);
- Cross compliance conditions to be applied to the SPS to maintain the land in "good agricultural and environmental condition" and to ensure standards of animal welfare.
- Compulsory "modulation"² of direct payments introduced across all Member States with transitional arrangements for the UK.
- Set aside will be retained.
- Support for improving the ecological and social value of State Forests introduced.

Implementation in England

4. Ministers in England have decided that:

5. England will decouple fully in 2005 and move towards a flat rate³ Single Farm Payment to farmers. Only farmers active in 2005 will qualify for payment. The flat rate will be phased in over a transitional period, ending in 2012. During this transition, the value of individual entitlements will initially be based to a large extent on individual historic receipts from existing schemes. This element will reduce as the flat rate element increases. The flat rate

¹ Subsidies will not be linked to production; farmers do not have to produce food to receive the payment.

² Modulation is the reduction in payments for agricultural production in order to release funds for rural development and other non-production related parts of the CAP.

³ Based on the total subsidies between 2000 and 2002, divided by total agricultural area of England.

element will be 10% in 2005, 15% in 2006, 30% in 2007, 45% in 2008, 60% in 2009, 75% in 2010, 90% in 2011 and 100% in 2012.

- Regional payments in England will be based on two regions - land in the severely disadvantaged areas and all other land. Different flat rates will apply.
- National envelopes⁴ will not be used in England.

Single Payment Scheme

6. The UK is implementing this on a “regional”⁵ basis. The four devolved administrations are making different decisions on payment method and cross-compliance. Ministers have decided that England will be divided into two regions for the operation of the scheme -the Severely Disadvantaged Areas of the Less Favoured Areas and “the rest”.

7. In England the payments will eventually, (in 2012) be a flat rate per hectare for the two regions of England. These will be based on the average annual total of all payments farmers within a region received over a three year "reference period" from 2000 to 2002 divided by the total area of agricultural land in that region. Initially however, only 10% of a farmer's payment will be calculated this way, the rest being based on the historic subsidy that particular farmer received during the reference period. This will decline in stages until 2012. The Single Payment Scheme will be introduced by first of January 2005.

Inclusion of Woodland in Single Payment

8. “Woods” are not included in the eligible farm area for calculation of the SPS, nor is afforestation an eligible use for agricultural land subject to SPS. However the IACS regulations have also recognised that trees and agricultural production can be combined, and some grazed woodlands systems have been treated as “forage area” under IACS. Clarification of what type of mixed woodland and agricultural systems will be eligible for SPS,” and acceptable grazing practice will be addressed in detailed rules for IACs and cross-compliance.

Woodland Creation

9. The main implication for woodland creation will be the need to review the FWPS to take account of the new single payments. Existing woodland and afforestation will continue to be an eligible use for set-aside land. It is not yet certain whether new afforestation of set-aside will be allowed. Member States must ensure that they maintain the area of land under permanent pasture and avoid a massive conversion to arable land. Member states may allow some derogation from this requirement provided they take measures to ensure there is no significant decrease in the total permanent pasture area. The requirement to maintain the area of permanent pasture will not affect new woodland planting provided this is “compatible with the environment”. The UK Forestry Standard and Guidelines applied to WGS applications may provide a system for describing environmental compatibility. While

⁴ The option of retaining up to 10% of the direct payments from each sector to be used to encourage specific types of farming important for protection or enhancement of the environment, or to improve the quality of marketing of agricultural products. Other parts of the UK may implement this.

⁵ England SDA, and “non SDA”, Scotland, Wales and Northern Ireland each count as a “Region”.

scheme details are developed, there may be uncertainty, which may affect farmers' land use decisions.

Cross Compliance

10. To claim the entitlement the farmer must keep the land in "good agricultural and environmental condition", but will no longer be tied to a type of farming or crop. Farmers will also have to comply with a range of EU regulations covering the environment, public and animal health and welfare. Member States will have to inspect a small sample of farms each year on a systemic basis to ensure these standards are met, penalties in the form of a reduction in SPS will be applied where standards have been breached. Defra are exploring how to define good agricultural and environmental condition in England. A number of issues will relate to trees and woodland:

- The degree to which tree regeneration is classified as "unwanted vegetation", or accepted as desirable successional woodland colonisation to buffer and expand native woodland.
- Protection for woodland from overgrazing and other damage from agricultural activities.
- Protection of field and hedgerow trees.

11. A consultation exercise on these issues in England is intended shortly.

Modulation

12. The European Commission has introduced compulsory modulation of the direct payments to farmers across all Member States in order to transfer funds to the Rural Development Regulation. The SPS will be modulated from 2005 by 3% rising to 5% by 2007. Member States are guaranteed to receive 80% of their modulation funds back to support their Rural Development expenditure (in England the England Rural Development Plan) the rest will be allocated to Member States based on agricultural area, agricultural employment and GDP. For the UK this will be less than we would have raised under the current voluntary modulation scheme, however we will be able to levy an additional voluntary modulation rate to make up the difference. This will provide the flexibility for England to maintain planned expenditure under the current ERDP and introduce the entry-level agri-environment scheme.

Set aside

13. Set aside will be retained and a set aside entitlement developed as part of the Single Payment Scheme. The land must be farmed in accordance with the cross compliance rules and cannot be used for permanent agricultural crops. However existing woodland planted on set-aside will count towards the entitlement area and it currently appears that new woodland planting under WGS will continue to be an allowable land use.

Farm Advisory Service

14. By 2007 Member States must set up a farm advisory service that will be available to farmers to help them meet their cross-compliance obligations.

Energy Crops

15. A new support aid of €45 per hectare per annum for land used to produce energy crops will be introduced. This will be a separate payment from the Energy Crop Scheme available for planting on land within the SPS, but not for planting on set-aside.

New Rural Development Measures

16. Four new measures are introduced to the Rural Development Regulation.

- Support to producers for quality food production
- Time-limited aid to farmers facing new legislative requirements
- Income support for farmers who use production methods that are over and above standard practice (e.g. farm assurance schemes); and
- An additional measure under Article 33 to support the management of integrated rural development strategies by local partnerships.

17. Defra have consulted on whether these should be introduced. Defra's initial view is that the new measures do not provide strong grounds for the diversion of resources away from the existing England Rural Development Programme (2000-2006) schemes, although the widening of the scope of Article 33 to provide aid for the management of integrated rural development strategies by local partnerships may be a useful option under the Rural Enterprise Scheme. Further consultations will, however, take place over the coming years on the arrangements, objectives and priorities for rural development expenditure over the next programming period (2007-2013).

Changes to the Forestry Chapter of the RDR

18. Minor changes were made to the Forestry Chapter of the Rural Development Regulation to allow support to improve the ecological and social value of State owned forests. However State Forests are still not eligible for support measures aimed at improving the economic utilisation of forests. With the changes to eligibility of State Forests for aid, a further technical change to the wording was made to ensure that tenants on public land could continue to draw down income forgone payments (Farm Woodland Premium Scheme in England).

Timetable

19. The following milestones are currently anticipated:

Defra Consultation on cross-compliance.
Possible consultation on Scheme rules/literature:
Outline of cross compliance requirements,

Spring 2004
June – July 2004

verifiable standards and inspection procedures:

July 2004

Comments and questions should be addressed to Alec Dauncey at the Forestry Commission National Office for England.

FORESTRY COMMISSION ENGLAND
March 2004