



## Single Farm Payment Scheme

# INFORMATION LEAFLET 1 (Updated October 2004)

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## SUMMARY OF THE SINGLE FARM PAYMENT SCHEME

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Please read this leaflet bearing in mind that we have still to finalise some of the details. The information in this leaflet is an early indication of what may be required by legislation – the existing Council Regulation, the detailed implementing Commission Regulations and planned Scottish legislation. Further business rules are still to be developed. The full requirements of the Single Farm Payment Scheme will be covered in legislation. A common framework of schemes rules was established in Council Regulation (EC) 1782/2003 (OJ L270, 21. 10 .2003).

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### Amendments:

Section 10 – A reduction will be made to the component of entitlements derived from beef subsidies to finance the national envelope for the beef sector.

Section 11 – The force majeure/exceptional circumstances provisions now apply to individual schemes.

Section 14 – Possibility of receiving the Single Farm Payment in Euros



# SINGLE FARM PAYMENT SCHEME 2004

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## 1. Introduction

We will introduce a new Single Farm Payment Scheme (SFPS) on 1 January 2005. This is part of the package reforming the Common Agricultural Policy (CAP). This scheme will replace the following existing production based support schemes:

- Arable Area Payments Scheme
- Beef Special Premium Scheme
- Dried Fodder
- Extensification Payment Scheme
- Seed Production Aid
- Sheep Annual Premium Scheme (including the Less Favoured Area supplement)
- Slaughter Premium Scheme (including the Veal Calf Slaughter Premium Scheme)
- Suckler Cow Premium Scheme

If you were paid under one or more of these schemes in 2000, 2001 and/or 2002, you may, therefore, be eligible to claim under the SFPS 2005.

## 2. Outline of the scheme

You can participate in the scheme if you:

- farmed during 2000, 2001 and/or 2002 and continue to farm in 2005; and
- are awarded entitlements; and
- submit a claim form with an IACS Aid Application.

To receive **full** payment you must:

- have one eligible hectare of land for each entitlement;
- be involved in agricultural activity;
- maintain your land in Good Agricultural and Environmental Condition (GAEC) and meet a number of Statutory Management Requirements covering the environment, food safety, animal and plant health and animal welfare (Cross Compliance);
- keep comprehensive, accurate and up-to-date records.

We may inspect your holding to verify your claim.

## 3. Establishing entitlements

We will send you a claim form in March 2005. This will show the number of entitlements you have and their value. To participate in the SFPS 2005 you **must** complete and return the claim form **and** submit an Integrated Administration Control System (IACS) Aid Application 2005 detailing all the land (arable and forage including all seasonal land) you farm on 15 May 2005 in the United Kingdom as a separate IACS business. We must receive both forms by 16 May 2005.

#### 4. Activating entitlements

In 2005, when you return your claim form and IACS Aid Application you can establish your entitlements only, or establish and activate entitlements (ie claim payment on them). The deadline for the return of both forms is 16 May 2005. We must reject your claim if we receive it after that date. If you fail to establish your entitlements in 2005 we must take them away and put the reference amount to the National Reserve.

You must have one hectare of eligible land (owned or leased) for each entitlement you wish to claim. You must use each of your entitlements in at least one of the years 2005, 2006 and 2007. If you fail to do this we must take away any which are unused and put the reference amount to the National Reserve.

We will not take away entitlements if you could not use them because of force majeure or exceptional circumstances.

#### 5. Calculating entitlements

We will calculate your entitlements in three stages. First, we calculate a *reference amount* then a *reference area* and finally the *number and value of your entitlements*.

- **Reference amount** – We use the areas which led to payment and/or animals which met all scheme conditions during the *reference period* (2000 – 2002 schemes) to calculate this. If we reduced the area you claimed under AAPS because of the application of IACS penalties we use the eligible area actually ‘found’ in our calculations. We do the same on forage used to support livestock claims. If the application of IACS penalties resulted in you receiving no payment under any or all of the livestock schemes all animals that met individual scheme rules are used in our calculation.
- **Reference area** – We use the area claimed or eligible area actually ‘found’, whichever is the lesser, to calculate this. The reference areas for the various elements of claims under the Arable Area Payments Scheme (AAPS) are **not** the same as the eligible areas on which you were paid AAPS aid. This is because of the different methods of apportioning the base area overshoot penalties and calculating the SFPS reference areas. For example, your AAPS payment in 2002 was divided by 1.027 to reflect the 2.7% overshoot in the Scottish base area. The eligible areas attracting that reduced payment remained the same. However, under the SFPS, the AAPS eligible areas used to determine your reference areas for 2002 are divided by 1.027 to reflect the 2.7% overshoot in the Scottish base area. The SFPS payment rate for those areas will not be affected.
- **Number and value of entitlements** – The number of entitlements you are given will equal the average hectares farmed by you during the reference period (2000 – 2002 scheme years). We calculate the value of your entitlements by dividing the *reference amount* by the *reference area*. All the entitlements allocated to you will have the same value. To arrive at your total estimate multiply the number of payment entitlements by the unit value of your entitlements.

If your business changed during or since the reference period – due to a merger or split or, changed its legal status – the general rule is that the entitlements established for the new business will be based on the relevant activity used as the basis for the original entitlements. The allocation will be based on the production units acquired as a result of the merger or split. If this applies to you please contact your area office if you have not already done so.

## **6. Set-aside entitlements**

If you have set-aside entitlements you will have to set-aside a hectare of land for each set-aside entitlement, whether or not you remain in arable crop production. In general, only arable land can be used for set-aside.

Your set-aside entitlements only include the obligatory set-aside element of your AAPS claims from the reference period. Any hectares above this become part of your livestock/arable reference amounts. For example, if you had 90 hectares of cereals and 20 hectares of set-aside then your set-aside obligation was 11 hectares, i.e. 10% of the total claim of 110 hectares. So under SFPS your obligatory set-aside entitlement will be 11 hectares. The remaining 9 hectares of voluntary set-aside will become part of your livestock/arable reference amounts.

Set-aside entitlements must be claimed each year on the Aid Application. If set-aside entitlements are not claimed, and have not been sold or leased out, then a sanction will apply. If you sell or lease your set-aside entitlements, the buyer or lessee is obliged to continue the set-aside obligation.

## **7. Eligible land – the 10 month rule**

You must have an eligible hectare to get payment on an entitlement. An eligible hectare includes arable land and all forage area. It excludes land under permanent crops (including forestry), horticultural crops (fruit, vegetables, potatoes other than starch potatoes) or used for non-agricultural activities.

You are free to use your eligible land for any agricultural activity (other than stated above). An agricultural activity is defined as the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural and environmental condition.

The land used to activate entitlements must be at your disposal for a minimum period of 10 months. This requirement is to ensure that a parcel of land can only be used to support one claim in any year and that land is managed according to the cross-compliance conditions.

You have the discretion to choose the start date for the 10 month period at any time between 1 October in the year preceding the claim to 30 April of the year of claim for your permanently held land. We will use a default date of 1 February if you do not state an alternative on the application form. You will be able to choose different start dates each year.

If a parcel of land appears against more than one claim then it will be necessary to resolve any resulting dispute before the payment involved can be released.

## **8. Cross Compliance (Statutory Management Requirements & Good Agricultural and Environmental Condition)**

Payment under the SFPS is conditional on meeting the cross-compliance conditions. Under cross-compliance you must continue to comply with the Statutory Management Requirements in force for public health, animal and plant health, environmental protection and animal welfare. You must also maintain your land in Good Agricultural and Environmental Condition (GAEC).

## **9. Inspections**

You must allow us to inspect your holding, at any reasonable time, to check you have met the scheme rules. If you refuse to co-operate, or if you obstruct an inspecting officer or fail to give reasonable assistance, we will not pay you and you may be prosecuted. Information on the inspection and penalty system will be made available in due course

## **10. Deductions from entitlements**

The value of your entitlements may be subject to certain reductions. These are:

- a percentage reduction from each entitlement if the sum of individual entitlements exceeds the financial ceiling for Scotland;
- a reduction of up to 3% from each entitlement to establish a National Reserve – the exact percentage reduction has not yet been decided;
- a reduction for modulation – the intention is to increase the total rate (EU and national) to at least 10% by the end of 2007;
- a reduction of up to 10% from the component of entitlements derived from beef subsidies during the reference period to finance the national envelope for the beef sector.

## **11. Force majeure/exceptional circumstances**

If your farming activity was adversely affected during the reference period (2000-2002) such that the subsidy received was reduced, and due to *force majeure* or exceptional circumstances you can ask us to calculate your entitlements using the years that individual schemes were unaffected. If any scheme or schemes were affected in all three years of the reference period (2000-2002) and your request is successful we will offer you an alternative reference period of 1997-1999 for the unaffected scheme(s). A form to notify us of *force majeure* or exceptional circumstances is included in the letter which accompanies this leaflet.

## **12. Dairy payments**

We introduced a new Dairy Premium and Additional Payment for 2004. If you held milk quota on 31 March 2004 and submitted a claim for the premium you will receive the Dairy Premium 2004 and Additional Payment provided you produced or marketed milk during the 2003/2004 quota year or began milk production before 17 May 2004.

The Dairy Premium and Additional Payment will be decoupled in 2005 and added to the Single Farm Payment. If you hold milk quota on 31 March 2005 and are eligible for these payments we will apportion them to the number of entitlements you have in 2005, so increasing each entitlement's value. The payment rates are due to increase in 2006 and we will increase the value of your entitlements in 2006 to take account of this increase.

### **13. Appeals**

At present you can, within a prescribed timescale, ask us to review any decision to refuse, reduce or recover subsidy using the EU Agricultural Subsidy Schemes Appeal procedure. This procedure has three stages: an in-house review, an external panel review and an appeal to the Scottish Land Court.

The Single Farm Payment Scheme comes fully into effect from 1 January 2005 and our aim is to handle appeals in a similar way to the existing formal appeals procedure.

An information leaflet on our current procedures is available from your area office. Or you may download it or view it online at [www.scotland.gov.uk/library3/agri/euappeals.pdf](http://www.scotland.gov.uk/library3/agri/euappeals.pdf).

### **14. Payment in Euros (E)**

We are working on providing producers with the option of receiving CAP payments in Euros to co-incide with the introduction of the Single Farm Payment Scheme. This option, however, would only apply, certainly for the near future, to this type of direct aid, fully funded and budgeted for in euros by the European Commission. The facility would not be available for the time being for measures like the Less Favoured Area Support Scheme and certain agri-environment schemes because these arrangements are co-funded and the payment rates are set in sterling.

We need to consult our stakeholders (including the banks) on the ground rules for this facility and agree the final arrangements with the European Commission. Subject to these discussions, it seems likely, however, that we will require a commitment from producers to stick with the euro option once selected in order to avoid constant switching from one form of payment to another, and back again, simply to follow currency fluctuations. These ground rules will not be onerous but they will almost certainly include a reasonable period of notice to effect any change.

### **15. Further information/guidance**

You may see information on the Single Farm Payment Scheme at [www.scotland.gov.uk/singlefarmpayment](http://www.scotland.gov.uk/singlefarmpayment). Or you may wish to contact your area office.

We will issue more guidance on the National Reserve, Transfers, Sales, Leases and Penalties before the scheme opens.

A series of road shows are being organised by our area offices to raise awareness of the new scheme. Details are attached at Annex A. Annex B lists all the area offices and provides contact numbers.

### **16. Legal base**

The general rules for the operation of the Single Farm Payment Scheme are laid down in Council Regulation (EC) 1782/2003 and Commission Regulations 2237/2003, 795/2004 and 796/2004.

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