The new Common Agricultural Policy in Scotland.

Direct payments guide
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Background

The Common Agricultural Policy (CAP) has been regularly updated and reformed since it began in 1957.

The main aims of the Common Agricultural Policy (CAP) are to improve agricultural productivity so that consumers have a stable supply of affordable food and to ensure that farmers can make a reasonable living.

To achieve these aims, the CAP operates in three areas

- Market support
- Income support
- Rural development

This guide explains more about the income support area, otherwise known as Direct Payments.

Direct Payments are intended to provide farmers with a basic level of support in return for the provision of public good. The arrangements for Direct Payments will run from 2015 to 2020 and will introduce new schemes to replace the Single Farm Payment Scheme (SFPS).

Within Direct Payments there are a number of schemes:

1. The Basic Payment Scheme along with its associated environmental payment, Greening
2. Scottish Livestock Support Scheme, also known as Voluntary Coupled Support (beef and sheep)
3. National Reserve

Over the five year period, the new schemes will inject £3.3 billion into Scotland’s agricultural sector.

For the majority of farmers and crofters, most of their payments will be made through the Basic Payment Scheme and Greening. Other farmers, depending on circumstances, will access support through the National Reserve.

The main elements of the reforms have been set out in EU regulations and are the same across all 28-member states. However there is still a lot of detail, necessary to implement the schemes, which needs to be worked out and we still await publication of the final delegated and implementing acts.

We want to make sure that we keep the best elements of the current administration of the schemes but at the same time, we want to take the opportunity to improve our systems, particularly with regard to our online system.
A new online system is coming

To make it easier for you to find out more about the new schemes and to apply for funding, we are building a new online service. Rural Payments and Services will be easier, simpler and smarter.

We have developed an online introduction to Rural Payments and Services and a short film to guide customers and agents through what is coming. Go to www.ruralpayments.org to find out more and sign up to take part in one of the focus groups or pilot.

This leaflet is a starting point and we will keep you up-to-date as we approach 2015. We've also produced two other documents you may find useful:

- An introduction to what it means for you
- Scottish Rural Development Programme guide

You can keep informed by visiting our website at: www.scotland.gov.uk/topics/farmingrural/agriculture/CAP

Basic Payment Scheme

The current Single Farm Payment Scheme will end on 31 December 2014 and existing entitlements held by farmers will only be used for the 2015 calculations. A new set of entitlements will be issued to farmers and crofters under the Basic Payment Scheme (BPS) provided that they submit an eligible application in 2015 and meet the conditions for eligibility.

The BPS will operate in much the same way as before:

- Entitlements are not attached to land but are allocated to a business, which they can use or dispose of as they wish
- Farmers and crofters will still have to submit an application each year to declare all of their lands specifying which land parcels are eligible for payment
- Payment will be based on one eligible hectare for each entitlement held. This declaration of hectares is important because all entitlements are subject to a 'two-year usage' rule and any entitlement that remains unused for two consecutive years will be confiscated (the value will be returned to the National Reserve)

What’s different?

- Entitlements in Scotland will be regionalised – Scotland will be divided into three regions (non-geographic) according to objective criteria and each region will be allocated an appropriate slice of the budget to finance all entitlements in that region
The number of entitlements you will be allocated will equal the number of eligible hectares you declared either in 2013 or will declare in 2015, whichever is the lowest.

This means that entitlements for different regions, which could all exist on the same farm, will have different values. The value of entitlements for the majority of holders will change from year-to-year. This is because entitlements will be affected by a mechanism called “convergence.”

From their respective starting values in 2015, all entitlements will move in four equal steps towards their common regional value by 2019 and we will notify you about this.

Outline of the Basic Payment Scheme

You can take part in the scheme and receive funding if you:

- Submit a claim via a single application form
- Farm a minimum of 3 hectares of eligible land
- Have one eligible hectare of land for each entitlement (entitlements will be allocated through an award, transfer or National Reserve)
- Carry out 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, known as Cross Compliance
- Keep comprehensive, accurate and up-to-date records

Eligible land for the new area-based Direct Payments

The important point to remember is that in comparison to the Single Farm Payment Scheme, we are not changing what makes land eligible in the first place.

Eligible land must be in an agricultural parcel and suitable for growing crops or grazing animals. This definition also covers situations where the farmer or land manager is maintaining land in a state suitable for grazing or cultivation.

Eligible land will be that utilised for the production of arable crops, permanent crops or Permanent Grassland or maintained in a state suitable for grazing. Permanent grassland is land used to grow grasses or other herbaceous forage, either naturally (self-seeded including ‘rough grazings’) or through cultivation (sown) and which has not been included in the crop rotation for five years or longer. Permanent crops are those defined as non-rotational crops (other than permanent grassland) that occupy land for five years or more and yield repeated harvests, including nurseries and short rotation coppice.
If you wish to participate in the Basic Payment Scheme in 2015 and you have not already registered your land with us you must submit a Land Maintenance Form. To claim eligible land under the new Basic Payment Scheme you must deduct ineligible features (such as roads, ponds, buildings and vegetative cover such as gorse and bracken).

**Agricultural activity / active farmer test**

You must meet the legal definition of a “farmer” to participate in the Basic Payment Scheme. For this purpose, a farmer is a natural or a legal person (or a group of natural or legal persons) whose holding (production units) are situated within Scotland, and who exercises an agricultural activity as follows:

- Production, rearing or growing of agricultural products, including harvesting, milking, breeding animals and keeping animals for farming purposes
- Maintaining an agricultural area in a state suitable for grazing or cultivation, or
- Carrying out a minimum activity (to be defined) on agricultural areas which are mainly areas naturally kept in a state suitable for grazing or cultivation

Additionally, if your business is one of those on the negative list, you will be excluded unless you can prove that you have the necessary level of agricultural activity. The businesses on the negative list now are railway services, airports, waterworks, real estate services, and permanent sport and recreational grounds. This will be extended to include non-agricultural sporting estates from 2015.

The full conditions for admittance of those on the negative list, the identification of land naturally kept and the minimum level of agricultural activity are still being developed. We will issue further information in future updates.

**Young farmer**

This feature will top-up the Basic Payment Scheme payments for qualifying farmers.

To be eligible, you must meet all the conditions outlined for the Basic Payment Scheme and you must be under 40 years of age in the first calendar year you apply for a Basic Payment Scheme. This means that if you reach 40 years of age at any time during the year you apply, you are ineligible.
The new Common Agricultural Policy in Scotland

The new Common Agricultural Policy in Scotland

Greening

In order to improve the environmental performance of farming, a new Greening payment “for agricultural practices beneficial for the climate and environment” will be paid on top of the Basic Payment Scheme from 2015. 30% of Scotland’s Pillar 1 budget will be allocated to the Greening payment and to receive it you will need to undertake prescribed Greening practices where relevant on your land.

Certified organic producers are exempt from Greening. For all other farmers Greening requirements are compulsory. This means that if you do not undertake these practices you could lose some of your direct payment.

Greening is paid in accordance with the number of eligible hectares in the region concerned in each year of application, noting the rate per hectare will be established for each region.

We are currently working with the Commission to develop an Equivalent Greening scheme which, if approved in time, will be implemented in 2015. If not approved in time, applicants will be required to adhere to the standard requirements in 2015 with the intention to implement the Equivalent scheme from 2016.

Please have a look at the table on the next page for more information on Greening.
## Permanent Grassland

**Exemptions**
- Land subject to a certified Organics scheme.
- All grassland on holding is 5 years old or younger.

**Standard Greening Practice (from 2015)**
- Where not exempt, farmers must:
  - Retain permanent grassland at National level.
  - Not convert Environmentally Sensitive Grassland Areas at farm level.

**Equivalence (from 2015 if approved from 2016 if not)**
- Where not exempt applicants must, for all Permanent Grassland:
  - Undertake a soil analysis
  - Create a nutrient management plan
  - Maintain a record of all fertiliser applications

**Standard or Equivalent Activities applied**
- Where not exempt applicants will be required to meet both Standard and Equivalent practices.

## Crop Diversification

**Exemptions**
- Land subject to a certified Organics scheme.
- Or:
  - Where a business has less than 10 Ha of arable land.
  - Where more than 75 % of the arable land is used for the production of grasses or other herbaceous forage, is land lying fallow, or is subject to a combination of these uses, provided that the arable area not covered by these uses does not exceed 30 hectares.
  - Where more than 75 % of the eligible agricultural area is permanent grassland, is used for the production of grasses or other herbaceous forage or for the cultivation of crops under water for a significant part of the year or for a significant part of the crop cycle, or is subject to a combination of these uses, provided that the arable area not covered by these uses does not exceed 30 hectares.

**Standard Greening Practice (from 2015)**
- Where not exempt and:
  - the business has between 10 ha and 30 ha of arable land you must grow at least two crops with no one crop accounting for more than 75% of the arable land or
  - the business has more than 30 ha arable land you must grow at least three crops, with the main crop not exceeding 75% and the two main crops together not exceeding 95%.

For the purposes of Crop diversification temporary grass will count as a crop type and winter and spring crop varieties count as separate crop types.

**Equivalence (from 2015 if approved from 2016 if not)**
- Provide soil cover over a minimum area of the arable land. The method of soil cover has still to be agreed with the Commission but may include retention of stubble or establishing a catch crop.

**Standard or Equivalent Activities applied**
- Where not exempt the applicant can choose to do Standard or Equivalent practices.
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The new Common Agricultural Policy in Scotland of 2014 (table continued from previous page)

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<td>• Land subject to a certified Organics scheme.</td>
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<td>• Businesses with less than 15 Ha of arable land.</td>
<td>• Businesses with less than 15 Ha of arable land.</td>
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<td>• Businesses comprising more than 75% permanent pasture leaving a balance of less than 30 ha of arable land.</td>
<td>• Businesses comprising more than 75% permanent pasture leaving a balance of less than 30 ha of arable land.</td>
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<tr>
<td>• Businesses where more than 75% of the arable land is used to grow temporary grass/leguminous crops or fallow leaving a balance of less than 30 ha of arable land.</td>
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**National Reserve**

Active farmers such as new entrants who do not automatically receive the Basic Payment entitlements when they are allocated in 2015 can apply to get entitlements from a National Reserve.

The National Reserve will be funded by top slicing the funding which is available for the Basic Payment. This exercise can be repeated if necessary in order that future new entrants and young farmers can be allocated entitlements.

The European regulations set out two mandatory categories for the National Reserve – young farmers and new entrants – as well as some optional categories.

As well as catering for young farmers and new entrants in 2015, the National Reserve can also be used to fund entitlements to future farmers who commence farming after the start of the new CAP in 2015.

In Scotland there will always be naked acres which are not being farmed but are capable of sustaining some form of agriculture. This means that there will always be cases where some farmers sell or let their farms without also passing on the
entitlements. New entrants in these circumstances will be able to access the National Reserve for new entitlements and to ensure there is adequate funding the regulation allows the member state to make further deductions to other Basic Payment entitlements in order to fund these further awards. Entitlements to future new entrants would be at the regional average rate.

The National Reserve can be used to allocate entitlements in cases of *force majeure* where people have been prevented from claiming entitlements due to exceptional circumstances.

The National Reserve can also be used to top up the initial value of the Basic Payment entitlement allocated to existing new entrants who have suffered disadvantage as a result of having no or low historic SFPS payments.

The exact terms of the National Reserve are still being worked on and we will issue further guidance in due course.

**Voluntary Coupled Support (VCS)**

The Scottish Government has decided to take up the option to use part of our Direct Payment funding for Voluntary Coupled Support (VCS) payments to help sectors or regions where specific types of farming undergo difficulties and are important for economic, social, and / or environmental reasons.

Scotland has been the only administration in the UK to use coupled support since the 2003 reforms, in the shape of the Scottish Beef Calf Scheme (SBCS) and more recently through the Scottish Beef Scheme (SBS). Consideration is being given to future VCS in the form of support to the beef sector and the sheep sector.

The exact terms of the VCS arrangements are still being worked on and are subject to agreement with the rest of the UK and we will issue further guidance in due course. It is important to remember, however, that in all cases, in order to meet international limitations, VCS can only be used to support current levels of production.

**VCS – Beef Scheme**

It is intended that the scheme will give direct support to specialist beef producers and payable on male and female calves at least 75% beef bred and in view of their higher production costs, there will be additional payments for producers in the islands.
VCS – Sheep Scheme

It is intended that the scheme will give direct support to specialist sheep producers whose businesses are reliant on Payment Region 3 land.

Cross Compliance

Cross Compliance will continue to be a set of requirements that have to be met in order to receive Direct Payments (and land-based Pillar 2 payments). There are however some changes to both of the main parts to Cross Compliance: Statutory Management Requirements (SMRs) and Good Agricultural and Environmental Condition (GAEC).

The main changes to the SMRs are the removal of “Sewage sludge” and SMRs 13-15 “Animal diseases” notification.

There will be an overall reduction in the number of GAEC measures from 21 to seven because some of the permanent grassland / pasture related requirements will be implemented under Greening. Of the remaining measures, some will be simply carried forward and others will be amended, for example, the buffer strip requirements under the “Retention of landscape features” will be strengthened to complement Greening.
Questions and answers

The questions below are to help you understand more about the new CAP Reform and Direct Payments. It’s important to remember that these questions and answers are for informational purposes only and are not a substitute for legal advice.

More information can be found on: www.scotland.gov.uk/topics/farmingrural/agriculture/CAP

Questions about CAP Reform

When will this change happen?
The new CAP payment regime takes effect from 1 January 2015. This means new support arrangements, and changes to the way payments are calculated and different obligations for farmers and crofters. There will still be a need for you to apply each year and so we will continue to require a Single Application Form (SAF). We will tell you more about these new support arrangements in the months ahead, in scheme guidance leaflets and in the SAF pack that we will issue in March 2015.

You can see the latest version of our timeline at www.ruralpayments.org

Will this mean more red tape?
The new CAP payment regime is very different from the current arrangements. It will place additional obligations on some farmers (e.g. because of Greening) but it will also bring benefits to others (e.g. young farmers and new entrants). We are looking at the best ways of implementing these regulatory requirements to ensure we minimise the impact on farmers and crofters. We want to keep the best elements of our current practices but at the same time take the opportunity to improve our systems, particularly with regard to our online system.

How will my Single Farm Payment be affected?
The Single Farm Payment will end after the 2014 scheme year, to be replaced by a “Direct Payment” made up of a Basic Payment and a payment for agricultural practices beneficial for the climate and the environment (otherwise known as “Greening”). Certain farmers and crofters may also benefit from a top-up payment because they qualify as “young farmers” (i.e. under 40 years old in the first year of application).

There is also the potential for coupled payments (that is a payment linked to production). The Cabinet Secretary has decided that, given the importance of extensive livestock production to Scotland’s agricultural output, this option will be taken up for the beef and sheep sectors. We will issue more detailed information in due course.
Will I lose money through modulation?

The reformed CAP will not have European or Member State modulation (equal to around -14% in 2014). However 9.5% has already been transferred from Pillar 1 to Pillar 2 to fund rural development.

Questions about payments

What does ‘regional rate’ mean?

‘Regional rate’ means that all hectares of land in a Payment Region will receive the same level of financial support under the Basic Payment Scheme. This will replace the current system whereby many different entitlement rates (€/ha) exist within our Single Farm Payment Scheme. Member States / administrations could choose to move to regional rates in the first year of the new arrangements (2015) or use a series of four equal, annual, steps to reach the final regional rate in 2019. This latter method is called convergence and that is what we have decided to do in Scotland.

What are the Payment Regions?

There will be three Payment Regions which will determine the final area rates of the Basic Payment.

- **Payment Region 1** (around 1.8m hectares)
  This will include parcels of better quality agricultural land that have been typically used for arable cropping, temporary grass and permanent grass. Rough grazing will not be included in Payment Region 1

- **Payment Region 2** (around 1m hectares)
  This will include parcels of better quality rough grazing which have been designated as LFA grazing categories B, C, D and non-LFA

- **Payment Region 3** (around 2m hectares)
  This will include parcels of the poorest quality rough grazing which have been designated as LFA grazing category A

In recognition of the difference in land quality, the budget will be distributed between these Payment Regions to achieve a balance in 2019 that reflects the variation in the productive capacity of the land.

Depending on the area of eligible land declared for the new scheme, the 2019 combined area rates for Basic Payments and Greening Payments will be around:

- €220/ha or £176/ha for eligible land in Payment Region 1
- €35/ha or £28/ha for eligible land in Payment Region 2, and
- €10/ha or £8/ha for eligible land in Payment Region 3.

(Please note: The euro / sterling exchange rate used is €1 = £0.80 for illustrative purposes only. The actual rate of payment will depend on the exchange applying at the time of payment.)
In addition to this there will be Voluntary Coupled Support (VCS) beef payments for all beef producers and VCS sheep payments for farm businesses reliant on Payment Region 3.

**What will entitlements be worth in the new regime?**

We cannot tell you exactly what your payments will be worth at this point. This is because all the payment values (for Basic Payment Scheme entitlements and Greening) depend on the amount of eligible land declared and this cannot be worked out until all applications submitted in May 2015 have been processed. We will inform all farmers and crofters of the values of their entitlements in 2015.

**How will my entitlements from 2015 onwards be calculated?**

This will depend on some of the implementation decisions that are still to be taken, including the windfall profit clause. In broad terms, we will take the total value of all entitlements held by you in 2014 as the starting point for the calculations. This total will be adjusted to reflect a proportionate share of the Basic Payment Scheme budget and this adjusted total value will be divided by the area you declared in 2013, or will declare in 2015, whichever is the lowest, to calculate the initial unit value of your entitlements. This unit value per entitlement will then be adjusted in four equal steps towards a regional average in 2019.

**I have various entitlements all at different values. How does this affect my payment calculation?**

The total value of all your entitlements held in 2014 is added together and it is this grand total that is used to determine the value of the starting point for your personal calculation described above. Entitlements will then be calculated as equal to the number of eligible hectares you declared in 2013, or will declare in 2015, whichever is the lowest.

**Will there be winners and losers?**

Yes. The adjustment over the period 2015 to 2019 will be upwards for some farmers and crofters but downwards for others, according to whether they start from a position higher or lower than the regional rate.

**How will the Greening payment be calculated?**

Thirty per cent of the total budget allocated to Scotland for all direct payments will be spent through Greening payments. This will be paid as a flat rate, per hectare, per Payment Region.

**How much support is available under the Young Farmers’ Scheme?**

The top-up to the Basic Payment Scheme will receive around 2% of the total budget for all direct payments.

**Will there be coupled payments?**

Yes. Subject to the rest of the UK, it is likely that the existing Scottish Beef Scheme will continue, although it may be adjusted to fit within the new European regulations. Consideration is being given to a similar scheme for the sheep sector. We will issue more detailed information in due course.
Will I lose money through degressivity and capping of payments?

Yes, if you meet the criteria. Member States are obliged (through a process called degressivity) to reduce the Basic Payment Scheme payments to any given recipient receiving payments above €150,000 per annum (£120,000 depending on the exchange rate at the time of payment). We are also intending to introduce a cap on Basic Payments at €500,000 (around £400,000 depending on the exchange rate) after taking labour costs into account. Remember, that this only applies to the Basic Payment Scheme. The Greening payment and payments under Voluntary Coupled Support or the Young Farmers' Scheme are not capped.

Questions about the Basic Payment Scheme

What are the new requirements in relation to active farming?

In order to be eligible for payments, you will need to meet the active farmer test in the European Regulations.

Firstly, on agricultural areas which are mainly areas naturally kept in a state suitable for grazing or cultivation (in Scotland, this is typically rough grazing land), you will be required to demonstrate that you are undertaking some type of minimum activity on that land. Minimum activity requirements will include a minimum stocking density (with derogations) as well as other alternative measures.

Additionally, if your business is one of those on the negative list, you will be excluded unless you can prove that you have the necessary level of agricultural activity. The businesses on the negative list now are railway services, airports, waterworks, real estate services, and permanent sport and recreational grounds but this list may be extended in due course (e.g. to include non-agricultural sporting estates).

The full conditions for admittance of those on the negative list, the identification of land naturally kept and the minimum level of agricultural activity are still being developed. We will issue further information in future updates.

Who meets the active farming requirements in relation to seasonal lets?

As was the case under the SFPS, payment entitlements will be allocated to the person enjoying decision making power, benefits and financial risks in relation to the agricultural activity on the land for which such allocation is requested. This provision has particular relevance for land let under seasonal arrangements.

Is there a minimum agricultural area in order to qualify for the Basic Payment Scheme? What should I do if my holding is less than the minimum number of hectares required?

Yes. The minimum area for an application for entitlements in 2015 and the minimum claim size (that is, number of entitlements that must be activated each year before any payment can be made) will be 3ha. This is unchanged from the previous arrangements. If your farm / croft is below the minimum claim size, you will not be eligible for an allocation of entitlements.
I have more land than I need to claim my current entitlements. How many entitlements will I be allocated in 2015?

The number of entitlements allocated in 2015 will equal either the number of eligible hectares you declared in 2013, or will declare in 2015, whichever is the lowest.

Can I buy more SFP entitlements for 2014 now?

No. The trading window for entitlements closed in April 2014 and no extension is possible.

How does the Private Contract Clause work?

This is a facility open to those who did not claim SFP in 2013 but want to get entitlements in 2015.

If you have bought, or leased land from someone who claimed SFP in 2013, and will have this land at your disposal on 15 May 2015, you can apply under a Private Contract Clause for the 2013 allocation right to be transferred to you. This would allow you also to be eligible to establish entitlements in 2015 provided of course you meet the active farming requirements (as mentioned above). However we are currently seeking further clarification from the European Commission as regards to the operation of this provision and will issue a further update in due course.

I didn’t claim SFP in 2013. What are my options in order to be able to establish entitlements in 2015?

There are three courses open to you depending on your circumstances:

1. You could receive an allocation from National Reserve if you meet the new entrant or young farmer provisions

2. You could use the Private Contract Clause (see question above)

3. You could apply to RPID for an allocation of entitlements if you never previously held entitlements (e.g. new entrants after 2005 and prior to 1 January 2013 who could not apply for entitlements in 2005) and can provide verifiable evidence that they produced, reared, or grew agricultural products on 15 May 2013

I bought entitlements for the 2014 scheme year; this was the first time that I held entitlements. Will I be eligible to be allocated entitlements in 2015?

Entitlements will be allocated in 2015. It is a condition of allocation that in order to receive direct payments you must have submitted a claim in 2013 and must have been eligible to receive SFP (prior to the deduction of penalties) in 2013. If you do not meet this condition, you will not be allocated entitlements unless you meet one of the alternative routes to allocation as above.

I claimed SFP in 2013. I sold my entitlements and didn’t claim in 2014, can I still apply to be allocated entitlements in 2015?

Yes, provided you have claimed in 2013 and meet the active farmer provisions in 2015, you can apply for entitlements on the land you are farming in 2015. There is no requirement to hold entitlements or claim SFP in 2014. If you have no
entitlements in 2014, the initial unit value of the entitlements you establish in 2015 will be zero and then they will progress in equal steps towards the end value in 2019.

**How is a young farmer defined?**

The European regulations define “young farmers” as persons:

1. who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application under the Basic Payment Scheme; and

2. who are under 40 years of age in the year of submission of their application.

**What does it mean to be “head of holding”?**

The European Regulations require that the young farmer must be head of holding, exercising effective and long-term control over the business in terms of decisions related to management, benefits and financial risks. For a sole trader, the position is clear but for businesses where a number of individuals are involved (e.g. partners), further evidence will be required to prove that the young person meets the legal requirements. We will issue further guidance in due course.

**Will I need to have agricultural qualifications to be eligible for support under the Young Farmers’ Scheme?**

It is open to the Scottish Government to set other qualifying conditions and this is still being considered.

**How much support will an individual young farmer receive?**

There are various methods of calculation under the regulation and this is still being considered.

**Is there a limit to the number of hectares on which a young farmer’s supplement can be paid?**

Yes. The limit will be set at 90ha, the maximum allowed under EU legislation.

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**Question about Greening**

**What does Greening mean?**

Under this reform, it is mandatory for applicants to the Basic Payment Scheme to comply with Greening requirements, where relevant on their land. In return for this, an additional Greening payment will be made. The Greening requirements cover:

- Crop Diversification
- Permanent Grassland
- Ecological Focus Areas (EFAs)

Subject to approval from the European Commission, we intend to tailor some of these requirements to Scottish priorities by adopting equivalent practices within the
framework provided for in the EU Regulations, if possible for 2015 and no later than 2016. This will ensure that Greening helps to reduce agriculture’s contribution to climate change and provide flexibility for farmers.

**What happens if I do not comply with the Greening practices?**

If you fail to meet the minimum requirement for the Greening practices there will be a reduction in your annual payments.

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**Questions about National Reserve**

**What is the National Reserve?**

In accordance with the European Regulations, we will set up a National Reserve, which will be financed and operated in each of the established regional areas. The money for the National / regional reserves will come from the funds available for the Basic Payment Scheme. We will work out the sum needed based on demand. The National Reserve must be used to allocate payment entitlements to new entrants and young farmers.

**What is the definition of a new entrant?**

A new entrant is a person who commences agricultural activity and who, in the five years preceding the start of the agricultural activity, did not:

- Have any agricultural activity in their own name and at their own risk, or
- Did not have the control of a legal person exercising an agricultural activity.

**What other categories of farmers can receive awards under the regional reserve?**

As well as new entrants and young farmers, we will use the regional reserve to make awards to those who were prevented from being allocated entitlements because of *force majeure*, exceptional circumstances or other specific disadvantage.

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**Business issues / changes**

**I was allocated SFP entitlements but my business has merged with another business in 2014. Our new (merged) business did not make a claim in 2013. Will our new (merged) business be eligible to be allocated entitlements in 2015?**

The new business exists because of the merger and will be eligible to establish entitlements in 2015 provided you remain as one new (merged) business. The new (merged) business, of course, has to meet the active farmer provision and minimum claim size of 3ha in 2015.

**I was paid SFP in 2013, but in 2014 I have split from my original business, (i.e. in terms of the European Regulation, a “scission”). Obviously, my newly**
formed business did not claim and receive payment in 2013. Will I be eligible to be allocated entitlements in 2015?

If you submitted an SFP claim in 2013 and were eligible to receive SFP (prior to the deduction of penalties) in 2013, and your business has since been split, the new businesses arising from the split will be eligible to establish payment entitlements in 2015 providing they meet the active farmer provision and minimum claim size of 3ha.

Some of my entitlements will not be activated in 2013 and 2014 and in any other year I would expect to see them confiscated. Will they be used to calculate the initial unit value of the new entitlements that I will be allocated in 2015?

Yes. Entitlements not activated in 2013 and 2014 will still be regarded as held by you on 15 May 2014 and therefore they will be included in the calculation of the initial unit value of your new entitlements established in 2015. Normally entitlements not activated in 2013 and 2014 will be confiscated with effect from 1 January 2015 but as all current entitlements are being abolished at the end of 2014, this will have no practical effect.

If you had not activated those entitlements in 2012 and 2013, they would have been confiscated with effect from 1 January 2014. Therefore they would not be held by you on 15 May 2014 and would not be included in the calculation of the initial unit value of entitlements you could establish in 2015

General information

Cross border businesses

The European Regulations require that all the land farmed in the United Kingdom be covered by one single application form. If you farm land in more than one region of the UK (i.e. Scotland, England, Northern Ireland and Wales), your SAF will be made up of two or more forms applicable to each region involved. You must submit all relevant forms together to the administration that will be dealing with your claim. The handling administration is decided based on the region in which most of your farmland is situated. You will receive one payment, made up of all the entitlements held, from the handling administration.

Cross Compliance (Statutory Management Requirements and Good Agricultural and Environmental Condition)

Direct Payments (and land-based rural development payments) are 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). Separate, detailed guidance will be available about Cross Compliance.

Failure to meet Cross Compliance conditions will result in penalties being applied to claims.
Inspections

Farmers must allow the Scottish Government and EU auditors to inspect their holdings, at any reasonable time, to check that the scheme rules have been met. We are instructed by the EU to avoid advance notice of inspections.

If a farmer refuses to co-operate, or if an inspecting officer is obstructed or the farmer fails to give reasonable assistance, we are instructed to apply penalties. Information on the inspection and penalty system will be made available in due course.