

Options for Basic Payment Scheme Entitlement Unit Values Post 2019

Stakeholder Engagement



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by Alan Hopps

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Contents

| | | |
|----------------|--|----|
| 1 | Introduction | 5 |
| 1.1 | Payment entitlement unit values..... | 5 |
| 1.2 | June 2014 decision on transition towards flat rate..... | 6 |
| 1.3 | Commitment to further stakeholder engagement..... | 7 |
| 1.4 | Purpose of document | 8 |
| 1.5 | Other UK administrations | 8 |
| 1.6 | Ireland | 9 |
| 1.7 | Future CAP negotiations | 9 |
| 2 | Consideration of the Options | 11 |
| 2.1 | Option 1 Continue the transition towards a flat rate payment by 2021 | 11 |
| 2.2 | Option 2 Freeze the unit value of the entitlements at the end of 2019..... | 11 |
| 2.3 | Analysis of the impact of continuing the transition towards a flat rate payment by 2021..... | 11 |
| 2.4 | Conclusions from analysis | 14 |
| 3 | Legal issues | 17 |
| 4 | Equality, Rural Needs and Regulatory Impacts | 19 |
| 5 | Capturing stakeholder views | 21 |
| Annex A | Worked examples of the calculation of the initial unit value of BPS entitlements and transition towards the regional average unit value during 2015 - 2019 | 25 |
| Annex B | Questions | 29 |
| Annex C | Glossary of acronyms and terms | 31 |

List of Tables

| | | |
|----------------|--|----|
| Table 1 | The potential effect for different farm types of continuing transition towards a flat rate by 2021 | 13 |
| Table 2 | The potential effect for different farm sizes of continuing transition towards a flat rate by 2021 | 14 |

1 Introduction

Pillar 1 of the Common Agricultural Policy (CAP) currently provides €327m of direct support to Northern Ireland (NI) farmers per annum. Further measures are delivered under other components of CAP for a range of rural development schemes which assist farm businesses to improve economic and environmental performance; provide a level of stabilisation in the event of market disturbances; and deliver more efficient and effective operation of the market. CAP payments are of major importance in sustaining the industry in NI and underpinning its competitive trading position.

Under Pillar 1, the Basic Payment Scheme (BPS) came into effect on 1 January 2015 as part of the reform of CAP 2013 replacing the Single Farm Payment Scheme (SFPS). Like its predecessor, the BPS operates via a system of payment entitlements. To generate payment, farmers must “activate” their payment entitlements each year by declaring one hectare of eligible agricultural land per entitlement.

It is assumed that post 2019, direct support will operate under domestic legislation (UK Agriculture Bill, Statutory Instruments and Statutory Regulations). This will provide DAERA with the legal authority to maintain the *status quo* (i.e. implement direct support payments as if they are still operating under EU rules) post 2019 until such times as a future Minister decides to make changes or introduces a new agricultural policy framework for NI.

1.1 Payment entitlement unit values

Under the SFPS, the level of direct payments received by each individual farmer was based primarily on the level of subsidy claims made under production-linked support schemes in the reference period 2000-2002 (or in the case of dairy farmers, on the basis of milk quota held on 31 March 2005) divided by the eligible area declared in 2005. This inevitably gave rise to widely differing unit value rates per payment entitlement between farmers.

The initial unit value of BPS payment entitlements allocated to an individual farm business in 2015 was calculated by dividing a fixed percentage of the total value of the SFPS payment entitlements held by the business on 15 May 2014 by the total area

of eligible land declared by the business in the 2015 scheme year. Again, this gave rise to wide variation in the unit value of payment entitlements between farmers.

Regulation (EU) No 1307/2013¹ established the rules for direct payments to farmers under support schemes within the framework of the CAP. The Regulation required movement in the unit value of BPS payment entitlements established in 2015 towards a flat rate payment per hectare. The Regulation provided an option to move immediately to paying the new Basic Payment on a flat rate basis in 2015 or to adjust the value of BPS payment entitlements from their initial value calculated in 2015 to a flat rate by 2019 through a series of equal annual steps. Partial transition towards flat rate convergence by 2019 was also an option.

1.2 June 2014 decision on transition towards flat rate

During the public consultation undertaken in 2013, the rate of transition towards a flat rate unit value was a contentious issue given the potential impact on the local agriculture industry. Consequently, in line with section 2.4 of the Ministerial Code, the DARD Minister sought the agreement of the NI Executive to her proposed approach.

In summary, the DARD Minister proposed a transition to a flat rate support regime over the seven-year period 2015 – 2021. However, only the first five of these seven years fell within the funding period defined by the Multi-Annual Financial Framework 2014-2020. The proposal was approved by the First Minister and Deputy First Minister under the Urgent Procedure. The decision was to transition towards a flat rate support regime (commencing in 2015) via the following mechanism:

- Increase in equal annual steps the unit value of those BPS payment entitlements below the regional average by 71.4% of the difference between their initial unit value in 2015 and the regional average by 2019.
- For those BPS payment entitlements above the regional average, apply a linear decrease to the difference between the initial 2015 unit value and the regional

¹ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0608:0670:EN:PDF>

average in order to generate the required funds for the increase in entitlements which were below the regional average.

This mechanism was consistent with reaching a flat rate by 2021. It was, however, acknowledged that adjustment to payments after the 2019 Scheme Year would depend on the outcome of future CAP Reform negotiations. The guidance which issued to farmers in 2015 made clear that arrangements after the 2019 Scheme Year would depend on future EU CAP Reform decisions. Worked examples of the mechanism described are provided at **Annex A**.

1.3 Commitment to further stakeholder engagement

DAERA carried out a stakeholder engagement exercise in 2018 seeking views on a possible high-level framework for agricultural policy in NI following the UK's exit from the EU. The responses to that engagement exercise have been summarised and are published on the DAERA website². The engagement document also sought views on the transition from the current CAP regime to a future agricultural policy framework for NI.

The engagement exercise sought views on the retention of entitlements as the basis of direct support until a new agricultural policy framework is agreed. Nearly all of the responses to that question supported retaining entitlements as the basis of direct support until a new agricultural policy framework is agreed. On the related and important issue of the unit value of BPS payment entitlements during these years, the engagement paper in 2018 gave a commitment to a separate stakeholder engagement during 2019.

² <https://www.daera-ni.gov.uk/publications/stakeholder-responses-northern-ireland-future-agricultural-policy-framework-stakeholder-engagement>

1.4 Purpose of document

The purpose of this document, therefore, is to seek views on two potential options:

1. Continue the transition towards a flat rate payment by 2021; or
2. Freeze the unit value of the entitlements at the end of 2019.

During this exercise, DAERA will not in any way prejudge or constrain the ability of an incoming Minister, NI Executive and NI Assembly to decide what is appropriate for NI's agriculture industry.

1.5 Other UK administrations

England opted for a three region model in 2013 and the SFPS payment entitlements held by each farmer on 31 December 2014 automatically became BPS payment entitlements on 1 January 2015. The unit value of the payment entitlements in a particular payment region under this model is calculated annually by dividing the BPS budget for that payment region by the number of eligible hectares claimed in that payment region. England has been at a flat rate at regional level since 2013. Payment rates per hectare in two of the English regions, non-severely disadvantaged area (SDA) and upland SDA other than moorland, are very similar.

Wales, after its initial decision was quashed by a Court, opted for a single region model with transition to a flat rate value by 2019 in equal percentage steps over the five-year period 2015-2019. The number of payment entitlements allocated to a farmer in 2015 was equal to the number of eligible hectares determined for that farmer. A redistributive payment was also introduced to counter some of the change in distribution of support payments resulting in the move to a flat rate payment.

Scotland opted for a combination of regionalisation of the basic payment and convergence to a flat rate by 2019. All farming land in Scotland has been categorised into three payment regions to reflect the variation in land quality across Scotland. The number of payment entitlements allocated to a farmer in 2015 was equal to the number of eligible hectares determined for that farmer in each relevant payment region. Scotland opted to transition to a flat rate by 2019 in equal percentage steps over the five-year period 2015-2019.

1.6 Ireland

Ireland opted for a single region model and partial convergence to a flat rate payment by 2019. Under this model, payment entitlements with an initial unit value in 2015 below 90% of the 2019 national average had their value increased by one third of the difference between their initial unit value and 90% of the national average. This increase has been taking place in five equal steps over the five-year period 2015 – 2019. The value of all payment entitlements will have reached at least 60% of the national average by 2019. The approach taken by Ireland is the minimum convergence required by 2019 under EU regulations.

1.7 Future CAP negotiations

The draft Regulations for the next period of EU CAP Reform are currently under development. The European Commission has proposed that payment entitlements across Europe reach at least 75% of their national average by 2027. However, Members of the European Parliament voted for a more ambitious target of 100% convergence by this date. The EU Agriculture Council has not yet reached a position on this issue.

2 Consideration of the Options

2.1 Option 1 Continue the transition towards a flat rate payment by 2021

'Flat rate' means that all hectares of land in NI would attract the same level of support. Currently, different farmers hold entitlements with varying unit values, which are "activated" each year by declaring one hectare of eligible agricultural land per payment entitlement. In order to transition towards a flat rate in 2021 under this option, the unit value (rate per hectare) of those BPS entitlements below the regional average would be increased in two equal increments, and those above would be decreased in two equal increments in 2020 and 2021. All entitlements would have the same unit value in the 2021 scheme year as a result.

NB. Variants of this option commencing later than 2020 or over a longer time period are also possible, but have the same impact in relation to the end point of the transition.

2.2 Option 2 Freeze the unit value of the entitlements at the end of 2019

Under this option, farmers would be paid at the same rate per entitlement in 2020 and 2021 that they were paid at in 2019.

2.3 Analysis of the impact of continuing the transition towards a flat rate payment by 2021

The analysis was compiled by matching data obtained from the 2018 BPS claims with the 2018 Agricultural Census. Table 1 identifies the potential effect, at aggregate level, on the distribution of direct support for different farm types if the unit value continues to transition towards a flat rate by 2021. Table 2 presents the potential effects, at aggregate level, for different farm sizes.

A large proportion of the redistribution anticipated in the analysis carried out in 2013 will already have taken place by 2019. The 2013 analysis showed that moving to a flat rate payment would redistribute 30% of total payments from losers to winners. The movement to a flat rate payment which has taken place so far has reduced the remaining redistribution to 5.19% of the total.

A major reason for the reduction in the redistribution is, of course, due to the fact that entitlements have moved 71.4% of the way towards a flat rate in the 2015 – 2019 period. Another reason is that there has been a significant change to the claimant population since 2013, with the numbers receiving payment each year reducing from 37,800 in 2013 to 24,600 in 2015. This has been due mostly to the exit of non-farming landowners who generally held low-value entitlements and otherwise stood to gain substantially. In addition, many farmers increased their number of entitlements in 2015, which reduced their initial unit value, thereby lowering the reduction in the transition to a flat rate.

The analysis by farm type in Table 1 also shows that continuing to transition towards a flat rate will reduce the level of support to dairy, lowland cattle and sheep and mixed farms compared with freezing entitlement unit values. Severely Disadvantaged Area (SDA) farms will gain, particularly sheep farms. There will also be a small increase for horticultural farms.

During the previous consultation exercise in 2013, considerable interest was expressed in a two region model in which NI would be divided into SDA and non-SDA regions, with each one having a different payment rate per hectare. Over 80% of the redistribution of direct payments that would have occurred in moving to a flat rate payment from the initial position in 2015 will have taken place by the end of 2019. DAERA's analysis suggests that the impact of a two region model after 2019 would not differ in a major way from that for the single region model. The flat rate payment for the non-SDA region would be only €10.20/ha higher than that under the single region model.

Table 1 The potential effect for different farm types of continuing transition towards a flat rate by 2021

| Farm Type | Number of Farms 2018 | Number of Entitlements 2018 | Entitlements + Greening 2018 | Entitlements + Greening 2021 | % change in 2021 compared to 2019 |
|------------------------|----------------------|-----------------------------|------------------------------|------------------------------|-----------------------------------|
| | | ('000s) | (€m) | (€m) | |
| Cereals | 242 | 11.5 | 3.9 | 3.8 | -1.12 |
| General Cropping | 416 | 16.7 | 5.4 | 5.6 | +1.21 |
| Horticulture | 148 | 3.2 | 1.0 | 1.1 | +4.55 |
| Pigs | 105 | 4.5 | 1.8 | 1.5 | -9.60 |
| Poultry | 463 | 18.6 | 6.5 | 6.2 | -3.19 |
| Dairy SDA | 525 | 35.3 | 11.8 | 11.8 | -0.13 |
| Dairy DA | 887 | 61.6 | 21.3 | 20.6 | -2.05 |
| Dairy Lowland | 1,110 | 93.6 | 33.0 | 31.2 | -3.39 |
| Sheep SDA | 1,957 | 106.3 | 30.2 | 35.5 | +11.04 |
| Cattle SDA | 4,922 | 174.6 | 57.1 | 58.2 | +1.34 |
| Mixed SDA | 1,356 | 82.4 | 25.4 | 27.5 | +5.15 |
| Cattle & Sheep DA | 5,443 | 152.7 | 53.3 | 50.9 | -2.94 |
| Cattle & Sheep Lowland | 4,477 | 141.3 | 50.3 | 47.1 | -4.21 |
| Mixed | 478 | 28.0 | 9.6 | 9.3 | -2.24 |
| Other | 36 | 0.5 | 0.2 | 0.2 | -1.14 |
| No match | 1,682 | 18.3 | 5.9 | 6.1 | +0.50 |
| Total | 24,247 | 949.1 | €316.6 | €316.6 | |

Table 1 Notes

1. The data is from farms which held entitlements in 2018 scheme year.
2. The farms defined as 'No match' are farms that held entitlements in 2018 which could not be matched to a 2018 agricultural census record.
3. The values of Greening Payments are prior to deductions and penalties.
4. A Greening Percentage of 43.92% for 2018 was carried forward for 2019, 2020 and 2021.
5. Entitlement convergence takes place as planned until 2019. Two year linear progression to flat rate by 2021.
6. Entitlement rates in 2021 are calculated at €231.77/ha (€333.56/ha with Greening).
7. Small differences in totals between years are due to rounding.

The data in Table 2 indicate how different farm sizes are affected by moving from the current distribution to a flat rate payment per hectare by 2021. It can be seen that, at aggregate level, very small farms will gain; small and medium sized farms are relatively unchanged; and large and very large farms will lose out.

Table 2 The potential effect for different farm sizes of continuing transition towards a flat rate by 2021

| Farm Type | Number of Farms 2018 | Entitlements + Greening 2018 | Entitlements + Greening 2021 | % change 2021 compared with 2019 |
|--------------|----------------------|------------------------------|------------------------------|----------------------------------|
| | | (€m) | (€m) | |
| Very Small | 12,971 | 80.0 | 83.5 | +2.78 |
| Small | 4,178 | 63.2 | 63.9 | +0.75 |
| Medium | 2,699 | 63.5 | 62.9 | -0.60 |
| Large | 1,125 | 33.6 | 32.7 | -1.76 |
| Very Large | 1,592 | 70.3 | 67.5 | -2.59 |
| No Match | 1,682 | 5.9 | 6.1 | +0.50 |
| Total | 24,247 | 316.6 | 316.6 | |

Table 2 Notes

1. The data is from farms which held entitlements in 2018 scheme year.
2. The farms defined as 'No match' are farms that held entitlements in 2018 which could not be matched to a 2018 agricultural census record.
3. The values of Greening Payments are prior to deductions and penalties.
4. A Greening Percentage of 43.92% for 2018 was carried forward for 2019, 2020 and 2021.
5. Entitlement convergence takes place as planned until 2019. Two year linear progression to flat rate by 2021.
6. Entitlement rates in 2021 are calculated at €231.77/ha (€333.56/ha with Greening).
7. Small differences in totals between years are due to rounding.

2.4 Conclusions from analysis

The conclusions from the above analysis on the effects at aggregate level of continuing the transition towards a flat rate payment by 2021 are as follows:

- There would be a modest redistribution of the support budget (5.19%).
- There would be a reduction in the level of support to dairy, lowland cattle and sheep and mixed farms, while increasing support to SDA farms, particularly sheep, and horticultural farms.

- In general terms, intensive production systems would receive less support and extensive production systems would gain support.
- The level of support going to small and medium farm types would be relatively unchanged.
- Very large farms would lose out and very small farms would gain.

3 Legal issues

Whilst any decision on this issue will be for a future Minister, the scope to make changes to payment entitlement unit values will be contingent upon DAERA's legal vires. Consideration has been given to what the impact of a 'no decision' may be, i.e. what is the default position. The current situation is complex with regard to the terms under which the UK would leave the EU; uncertainty over progress of the UK Agriculture Bill through Parliament; absence of a functioning NI Assembly; and interpretation of the relevant EU regulations.

Title III, Chapter I, Section I of Regulation (EU) No 1307/2013 provided for the setting up of the BPS. The Regulation provided a range of options for both the method of calculating the initial unit value of BPS payment entitlements and movement in the unit value towards a flat rate payment regime.

Article 25(8) states that regardless of the transition option chosen (full or partial), the unit value reached by 2019 is the "final unit value" in the context of Regulation (EU) No 1307/2013 and, therefore, is the value to be applied post 2019 unless further legal provision is made.

The decision taken in 2013 achieves a 71.4% transition towards a flat rate regime by 2019, which is in line with the rules for partial transition to a flat rate by that date in accordance with *Article 25 (4), (5), (7) and (8)*. Continuation of the transition process post 2019 in order to achieve a flat rate unit value by 2021 would not be compliant with the current EU rules for partial transition. The EU has adopted Regulation (EU) No 2019/288³, which alters certain Articles within Regulation (EU) No 1307/2013 to make them operable in the 2020 scheme year, but significantly in this context makes no change to *Article 25*.

Continuation of the transition process post 2019 in order to achieve a flat rate unit value is not deliverable under the current legislative framework. Hence, it leads DAERA to conclude that the legal position, in the absence of revised domestic

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0288>

legislation when the UK exits the EU and a Ministerial Decision, would require the unit value of entitlements to be frozen at 2019 rates for future years.

Given the position outlined above, it cannot be said for certain that DAERA will have the legal vires to implement any change in the unit value of entitlements in the 2020 Scheme Year. However, the views expressed in this stakeholder engagement exercise may still be used to inform a decision on the unit value of entitlements for future scheme years.

4 Equality, Rural Needs and Regulatory Impacts

Section 75 of the NI Act 1998 (the Act) requires DAERA to comply with two statutory duties⁴ to have due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the Act.

In carrying out its functions relating to NI, it is required to have due regard to the need to promote equality of opportunity between:

- Persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Men and women generally;
- Persons with a disability and persons without; and
- Persons with dependants and persons without.

DAERA's arrangements for assessing compliance with its Section 75 statutory duties are outlined in its Equality Scheme – for example, arrangements for monitoring; assessment of impact of policies; consultation; training; publication; complaints; access to information and services; and review. At this stage, equality considerations have been undertaken to:

- Determine the extent of differential impact upon the relevant groups as listed above; and
- Consider whether that impact has a negative impact on groups or individuals in relation to one or more of the nine equality categories.

⁴ <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/daera-equality-scheme-2016-2020.PDF>

DAERA has not proposed any preferred or recommended option within this paper. In line with its Equality Scheme, an equality screening exercise has been completed on the two options at section 1.4. The analysis undertaken is attached to the Equality Screening and Human Rights document. It has demonstrated that there will not be a differential impact because of an individual's religious belief, national identity, racial group, age, marital status, sexual orientation, gender, disability or whether or not he/she has dependants. Therefore, the options have been screened out from a full Equality Impact Assessment.

A Rural Needs Impact Assessment has been carried out and determined that no specific design features were required to address rural issues.

A Regulatory Impact Screening has been carried out and determined that regardless of the option chosen, there would be no additional compliance or administrative burdens placed on farm businesses. NI businesses would not be placed at a disadvantage compared with other businesses elsewhere in the UK, nor would they have any special advantages which might breach EU anti-discrimination rules on free movement of goods and services. For these reasons, a full Regulatory Impact Assessment has been screened out.

All of the screening documents are available on the DAERA website as part of this wider engagement exercise. DAERA welcomes views on these screening exercises as part of this engagement process (see also Annex B).

5 Capturing stakeholder views

DAERA welcomes responses and comments from stakeholders on the questions outlined in this paper.

How to respond

A full list of the questions in this paper can be found in **Annex B**.

When responding, please provide the following information:

- Your name;
- Contact details (preferably e-mail); and
- Organisation you represent (if applicable).

Responses should be sent:

By email to:

NIFutureAgriPolicy@daera-ni.gov.uk

By post to:

Department of Agriculture, Environment and Rural Affairs
Room 414
Dundonald House
Upper Newtownards Road
Ballymiscaw
Belfast
BT4 3SB

Deadline for responses

The closing date for responses is **30 September 2019**. Please ensure your response is submitted by that date.

Publication of Responses

The Department will publish a summary of responses following the closing date for receipt of views. Your response, and all other responses to this publication, may be disclosed on request. The Department can only refuse to disclose information in exceptional circumstances. Before you submit your response, please read the paragraphs below on the confidentiality of responses, which will give you guidance on the legal position about any information given by you in response to this publication.

Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request.

Section 8(e) of the Data Protection Act 2018 permits processing of personal data when necessary for an activity that supports or promotes democratic engagement. Information provided by respondents to this stakeholder engagement exercise will be held and used for the purposes of the administration of this current exercise and subsequently disposed of in accordance with the provisions of the Data Protection Act 2018 and the General Data Protection Regulation.

For more information and to view the DAERA Privacy Statement please go to: <https://www.daera-ni.gov.uk/publications/daera-privacy-statement-document>.

The Freedom of Information Act gives the public a right of access to any information held by a public authority, namely, the Department in this case. This right of access to information includes information provided in response to a stakeholder engagement exercise. The Department cannot automatically consider as confidential information supplied to it in response to a stakeholder engagement exercise. However, it does have the responsibility to decide whether any information provided by you in response to this stakeholder engagement exercise, including information about your identity, should be made public or be treated as confidential. If you do not wish information about your identity to be made public, please include an explanation in your response, including any harm you believe such a disclosure might cause.

This means that information provided by you in response to the stakeholder engagement is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that:

- The Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided;

- The Department should not agree to hold information received from third parties “in confidence” which is not confidential in nature; and
- Acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner.

For further information about confidentiality of responses please contact the Information Commissioner’s Office, or see web site at:

<http://www.informationcommissioner.gov.uk/>.

Annex A Worked examples of the calculation of the initial unit value of BPS entitlements and transition towards the regional average unit value during 2015 - 2019

The initial unit value of BPS entitlements allocated to farmers in 2015 was, in most cases, derived from the value of Single Farm Payment entitlements they held on 15 May 2014 (after various deductions to respect expenditure ceilings) divided by the area of eligible land they declared in 2015.

In accordance with Council Regulation (EU) No. 1307/2013, the entitlements allocated to farmers in 2015 moved towards a flat rate per hectare in equal annual steps during the period 2015 – 2019. This is known as convergence towards a flat rate.

The unit value (rate per hectare) of those entitlements **below the regional average** was **increased** by 71.4% of the difference between their initial unit value in 2015 and the regional average by 2019.

For entitlements **above the regional average**, a **linear decrease was applied** to the difference between the initial 2015 unit value and the regional average in order to generate the required funds for the increase in entitlements which were below the regional average.

Two worked examples to illustrate the convergence mechanism are shown below. All figures used in the examples are indicative figures.

The regional average value of BPS entitlements, excluding the Greening Payment, is €229.27. Therefore, the BPS entitlements will converge towards €229.27. The Greening Payment is approximately 44.12% of the total value of payment entitlements activated each year and consequently the average payment per hectare including the Greening Payment is €330.42.

Example 1 - Entitlements above the regional average

| | | |
|----|---|------------|
| 1. | At 15 May 2014 Farmer A held 20 Single Farm Payment entitlements. The total value of these for the purpose of establishing BPS entitlements is €18,156. | €18,156 |
| 2. | In accordance with Council Regulation (EU) No 1307/2013 the following reductions were applied to fund the Young Farmers' Payment and the Regional Reserve (2% and 3% respectively) €18,156 – 5% = €17,248.20 | €17,248.20 |
| 3. | Farmer A farms 20 hectares of eligible land in 2015 | 20 |
| 4. | Initial unit value of each entitlement before transition to flat rate = €17,248.20 ÷ 20 = €862.41 | €862.41 |
| 5. | Entitlements above the regional average in 2015 decreased by approximately 71.4% towards the regional average (€330.42) in 2019. In this case, a full move to the flat rate would result in a reduction of €531.99. 71.4% of this reduction is €379.84. The unit value of the entitlements for this farmer in 2019 will be reduced by €379.84 leaving the unit value at 2019 of €482.57. This can also be calculated as follows: (€862.41 - (€862.41 - €330.42) X 71.4%) | €482.57 |
| 6. | Transition from the initial unit value in 2015 takes place in five equal steps from 2015 to 2019 to reach €482.57 in 2019. To achieve this, the unit value of the entitlement is reduced each year by €75.97 ((€862.41 - €482.57) / 5). The unit value of each entitlement in each year was as follows: | |
| | 2015 | €786.44 |
| | 2016 | €710.47 |
| | 2017 | €634.51 |
| | 2018 | €558.54 |
| | 2019 | €482.57 |

Example 2 – Entitlements below the regional average

| | | |
|----|---|--------------|
| 1. | At 15 May 2014 Farmer B held 20 Single Farm Payment entitlements. The total value of these for the purpose of establishing BPS entitlements is €3,400. | €3,400 |
| 2. | In accordance with Council Regulation (EU) No 1307/2013 the following reductions were applied to fund the Young Farmers' Payment and the Regional Reserve (2% and 3% respectively). €3,400 – 5% = €3,230 | €3,230 |
| 3. | Farmer B farms 20 hectares of eligible land in 2015 | 20 |
| 4. | Initial unit value of each entitlement before progression to flat rate = €3,230 ÷ 20 = €161.50 | €161.50 |
| 5. | Entitlements below the regional average in 2015 increased by 71.4% of the difference between the initial value in 2015 and the regional average (€330.42) in 2019. €330.42 – €161.50 = €168.92. €168.92 X 71.4% = €120.61 Annual increase each year was €120.61 / 5 = €24.12 | €24.12 |
| 6. | The unit value of each entitlement in each year was as follows: | |
| | | 2015 €185.62 |
| | | 2016 €209.74 |
| | | 2017 €233.87 |
| | | 2018 €257.99 |
| | | 2019 €282.11 |

Note

The calculations in Examples 1 and 2 include the Greening Payment valued at 44.12% of the value of BPS entitlements. The actual percentage used to calculate the Greening Payment varies each year and is slightly higher due to the total value of BPS entitlements activated being lower than the entitlement ceiling.

Annex B Questions

- 1. What are your views on the two potential options presented in this engagement paper?**
- 2. What is your preferred option and why?**
- 3. Are there any equality comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so, please describe the evidence and provide a copy.**
- 4. Are there any rural needs comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so, please describe the evidence and provide a copy.**
- 5. Are there any regulatory impact comments that you wish to raise at this point? Do you have any evidence that would be useful to the Department? If so, please describe the evidence and provide a copy.**
- 6. Are there any other comments you wish to make or evidence you wish to present to the Department?**

Annex C Glossary of acronyms and terms

| Term or abbreviation | Meaning/definition |
|-----------------------------|---|
| BPS | Basic Payment Scheme |
| CAP | Common Agricultural Policy |
| Convergence | Movement towards a flat rate in equal annual steps |
| DARD | Department of Agriculture and Rural Development |
| Direct payments | European Union subsidies to farmers under Pillar 1 of the Common Agricultural Policy |
| Entitlements | These form the basis of payments to farmers under the Basic Payment Scheme — once activated each entitlement will have a value and can be used by a farmer to claim payment each year, subject to meeting the relevant scheme rules |
| EU | European Union |
| Flat rate | A payment structure under which all hectares of eligible land in a region would attract the same level of support |
| Ha | Hectare |
| Pillar 1 and Pillar 2 | The CAP is divided into two parts — Pillar 1 deals with direct payments and market management measures, and Pillar 2 deals with rural development measures |
| SDA | Severely Disadvantaged Area |
| SFPS | Single Farm Payment Scheme |

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