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## **CAP PILLAR 1 & 2 PAYMENTS AND THE EU REFERENDUM**

### **Introduction**

As the United Kingdom has voted to leave the European Union, it is highly likely that the existing set up regarding all CAP-related claims, inspections and payments will stay in place until a withdrawal agreement is finalised.

Until then, Scottish and UK farmers should continue to apply for and receive Basic Payment Scheme (BPS), Greening, Voluntary Coupled Support, Less Favoured Areas Support Scheme (LFASS), etc. as they do now, and must continue to comply with the rules already in place.

The precise implications for Scottish agriculture as a result of the decision to leave the EU will not be clear for many months yet. NFU Scotland has already started raising many issues with the Scottish Government, the UK Government and the European Commission, as well as other stakeholders, processors and retailers, over this time to secure the best long term outcome for Scottish agriculture.

NFU Scotland will be working harder than ever to shape domestic support policies and trading opportunities for the future benefit of the Scottish agricultural industry.

In the interim, NFU Scotland is already engaging with the Scottish Government and UK Government to make the case for fully funded farm payments to provide necessary support to continue until at least 2020, and to secure access to markets that deliver a fairer share of the margin to the primary producer.

NFU Scotland will also continue to work to ensure rural development measures focus on investing in a growing Scottish agriculture industry, where competitiveness through improved productivity and innovation is the priority.

This Briefing sets out NFU Scotland's current understanding of the key issues around the impact on current Pillar 1 and Pillar 2 schemes and on current payments (and compliance requirements) following the outcome of the EU Referendum.

## **The Current Situation**

Now the UK has voted to leave the EU, the only certainty regarding farm payments is that current legislation is in place until further notice – nothing changes until it all changes.

The UK is still be a Member State and, as things stand, farmers and crofters in Scotland will continue to apply for and receive payments as they do now, and will continue to comply with existing rules. Equally, exports (and imports) of food and drink products will continue under existing market arrangements, as will imports of vital inputs to Scottish agriculture.

The European Union provides significant support to Scottish agriculture and is a key market for the food and drink Scotland produces. The CAP budgets are set out until 2020. Pillar 1 (direct support) payments are fully funded from the EU, and Pillar 2 (rural development) schemes are jointly funded by the EU and the Scottish Government.

## **Will SGRPID pay for the claims submitted this year under SAF 2016?**

NFU Scotland's understanding is that, as the UK has not formally left the EU at this time, the EU will honour their financing of the schemes operated by the Scottish Government through SGRPID. And given the likely timescales for a withdrawal agreement, this is likely to be the case for 2017 and 2018 claims too.

**Will SGRPID continue to process payments (and correct the issues) relating to 2015 claims?**

Yes, and this will remain a key focus and priority of NFU Scotland's work in the coming months.

**Will claimants still need to comply with cross-compliance in 2016, 2017 and 2018?**

NFU Scotland's understanding is that, as the UK has not formally left the EU at this time, claimants still need to adhere to all existing rules in relation Pillar 1 and 2 payments they receive until they are directed otherwise. Declarations and undertakings will still need to be respected and inspections will continue to be carried out.

**Will BPS claimants still need to comply with Greening in 2016, 2017 and 2018?**

Again it is NFU Scotland's understanding that, as the UK has not formally left the EU yet, those BPS claimants that are affected by Greening rules (as applied in Scotland) will still have to adhere to the rules until they are directed otherwise. The rules on permanent grassland, crop diversification and ecological focus areas still apply and Greening inspections will be carried out.

**Will there be any changes to the level of payments received following the decision to leave the EU?**

Individuals' levels of Pillar 1 (direct support) payments (including BPS plus Greening, beef calf payments and ewe hogg payments) are determined by a number of factors year on year.

BPS payments are going through transition (internal convergence) to 2019 and are influenced by historic Single Farm payment Scheme (SFPS) receipts in 2014. Final, full area-based payments were not intended before 2019 anyway. Coupled support payments (for beef calves and ewe hogs) are dependent on the number of eligible animals claimed each year, etc.

Less certain will be the impact of the leave vote on exchange rates and in particular that used to convert Euro (€) payment calculations into Sterling (£) payments. The €:£ exchange rate for BPS 2016 is taken on 30 September.

Pillar 2 (rural development) payments should remain largely unchanged. Agri-environment payments relate to agreed payment rates. LFASS payments should remain stable until at least 2018 – notwithstanding any budgetary changes made by the Scottish Government in the meantime.

**Given the referendum outcome, what will happen to Pillar 2 (rural development) agreements?**

Five-year agri-environment agreements (Rural Priorities, Land Managers Options, and Agri-Environment Climate Scheme) are contracts between farmers and crofters and the Scottish Government. The referendum outcome does not alter that contract. At this stage, those with agri-environment contracts, etc. will need to honour their agreements until they end. The vote to leave the EU does not change the Pillar 2 scheme rules either. Participants need to comply with all the agri-environment scheme rules applicable to their agreement. And that is also the case for those claiming LFASS payments.

**Will claimants get paid for 2016 Pillar 2 claims?**

Yes, the UK is still part of the EU until withdrawal is finalised. Until then, NFU Scotland's current understanding is that farmers and crofters will continue to receive payments.

**Will LFASS still be replaced by a new Areas of Natural Constraint (ANCs) support scheme in 2018?**

As things stand, the current LFASS operating in Scotland will still have to be replaced by a new ANC support scheme from 2018. This was to happen regardless of EU referendum. Therefore, at this time, NFU Scotland will continue to work very closely with the Scottish Government to try to ensure an appropriate ANC support scheme is in place from 2018.