

CAP 2015

An Introduction
to Direct Payments



Department of
**Agriculture,
Food and the Marine**

An Roinn
**Talmhaíochta,
Bia agus Mara**

www.agriculture.gov.ie

The information contained in this booklet is provided as a guide to farmers and should not be regarded as a legal interpretation of the EU Regulations governing the introduction of the new Direct Payments regime in 2015.

While the Basic Act relating to Direct Payments has been published at the time of going to print, the related Delegated Act and Implementing Act remain to be finalised. These Acts may introduce minor variations to the interpretation of the Basic Act which are not reflected in this booklet.

All figures used in examples are estimates only and are used solely for illustrative purposes. Definitive figures upon which the value of entitlements will be based such as national averages will not be available until 2015.

Terms and Conditions for the schemes outlined in this booklet will be made available in due course. This booklet therefore sets out the broad outline of how Direct Payments will be applied in Ireland for the years 2015 to 2019.

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Foreword



After an in-depth process of consultation and negotiation that began in 2011, the Council of Ministers, the European Parliament and the European Commission reached agreement on the reform of the Common Agricultural Policy under the Irish Presidency on 26 June 2013.

While the CAP has undergone many reforms and changes, its principle objectives have largely remained unchanged over the years. These are to ensure a fair standard of living for farmers, to provide a stable and safe food supply at affordable prices for consumers and to assist in the balanced development of rural areas.

However new priorities have arisen in recent years which necessitated a further retargeting of the Common Agricultural Policy and its system of making Direct Payments to farmers. In particular it was necessary to take account of the accession to the European Union of thirteen new Member States as well as new challenges in the form of climate change and environmental protection.

The vision expressed in Food Harvest 2020 is of a dynamic, consumer-responsive agri-food sector which can achieve sustainable growth despite the continuing challenges of volatility in input costs and world food prices. The introduction of a strong 'greening' component to the system of Direct Payments ensures that such growth is not achieved at the expense of our rich natural landscape as all farmers in receipt of direct payments will now deliver environmental and climate benefits as part of their everyday activities.

A dynamic agricultural sector requires the ongoing introduction of highly motivated and educated young farmers into our farming community. The new scheme of direct payments gives significant priority to young farmers both in terms of the allocation of entitlements from the National Reserve as well as providing for an additional payment through the Young Farmers Scheme. The new system also favours supporting active farmers.

It is no longer possible to justify the significant differences in the level of support per hectare granted to farmers based on the use of historical references. In this regard, Ireland will implement a convergence model which, while initially retaining the link with current payments under the Single Payment Scheme, gradually moves all farmers towards, but does not arrive at, a national average value. The purpose of this model is to achieve a phased redistribution of payments between those who currently hold high value entitlements and those who hold low value entitlements. It introduces a fair and equitable re-distribution of funds between farmers while avoiding the negative impact of a sudden and significant change in income support for individual farmers.

In developing and implementing the CAP reform package, the Department will seek to deliver a smooth transition to the new direct payments support regime. However the new system is different than the current Single Payment Scheme and the timescale for implementation is short. In this regard, I encourage all farmers to finalise any issues that remain outstanding from the current Single Payment Scheme and this booklet will help you to do that. In particular I recommend that all farmers register for, and use, the online application system. The transition to the new system will be much easier for farmers who use this system as it reduces the risk of error both for the claimant farmer and for the Department.

The outcome of the CAP reform negotiations has been very positive for Ireland. The new CAP provides a platform for delivering on the very ambitious targets set out in the Government's Food Harvest 2020 Strategy, to grow exports and create jobs in the agri-food sector. The €12.5bn investment involved means farmers and the wider agri-food sector now have both budgetary and policy certainty for the duration of the new CAP over the coming years. I look forward to working with you to achieve the targets set out in FH2020 and build on the great success of recent years.

Simon Coveney TD
Minister for Agriculture, Food and the Marine

Section 1: Main features of Direct Payments

Annual Ceilings for Ireland

The national ceiling refers to the amount of money allocated to each Member State for each year of direct payments. This is a fixed amount for each year and will not change. Ireland's allocation for each year of the direct payments is as follows;

2015	€1,215,003,000
2016	€1,213,470,000
2017	€1,211,899,000
2018	€1,211,482,000
2019	€1,211,066,000

Ireland's national ceiling decreases slightly each year to take account of the impact of the redistribution of funds between Member States. The overall decrease between 2015 and 2019 is just under four million Euros.

Introducing New Schemes

The 2014 scheme year will be the last year in which the current Single Payment Scheme is applied.

All entitlements held under the Single Payment Scheme will expire on the 31 December 2014.

The Single Payment Scheme is replaced by the Basic Payment Scheme. A new set of entitlements will be allocated in 2015 to those eligible for an allocation under the Basic Payment Scheme.

In addition to the Basic Payment Scheme, Ireland must introduce the 'Payment for Agricultural Practices beneficial for the Climate and the Environment' or 'Greening' as it is more commonly known. A very significant percentage of the national ceiling (30%) is allocated to Greening each year and all farmers who participate in the Basic Payment Scheme must also implement the Greening provisions.

Ireland will also implement a Young Farmers Scheme which will provide an additional payment to those young farmers who are eligible.

In addition Ireland will also establish a National Reserve. Priority for allocation of entitlements from the National Reserve is given to young farmers and to those who are commencing their agricultural activities in 2013 or after.

A Coupled Support for Protein Crops will also be made available. The details of this scheme will be announced in due course.

As direct payments from 2015 will take the form of four distinct schemes, the payment that a farmer receives under the new Direct Payment system is no longer a 'single payment' but will be a combination of payments. All eligible farmers will receive the Basic Payment Scheme and Greening while some farmers may also qualify for a further payment under the Young Farmers Scheme or under the Coupled Support for Protein Crops.

The following table presents the schemes that will be implemented in Ireland as part of Direct Payments in 2015. The 'farmer' column shows whether the scheme is also mandatory for individual farmers;

Scheme	Farmer (if participating)
Basic Payment Scheme	Mandatory
Greening	Mandatory
Young Farmers Scheme	On application
Coupled Support (Protein Crops)	On application
National Reserve (allocates entitlements for use in the Basic Payment Scheme)	On application

Note: only those farmers who participate in the Basic Payment Scheme are eligible to participate in the other schemes (with the exception of Coupled Support for Protein Crops)

The Role of 'Entitlements'

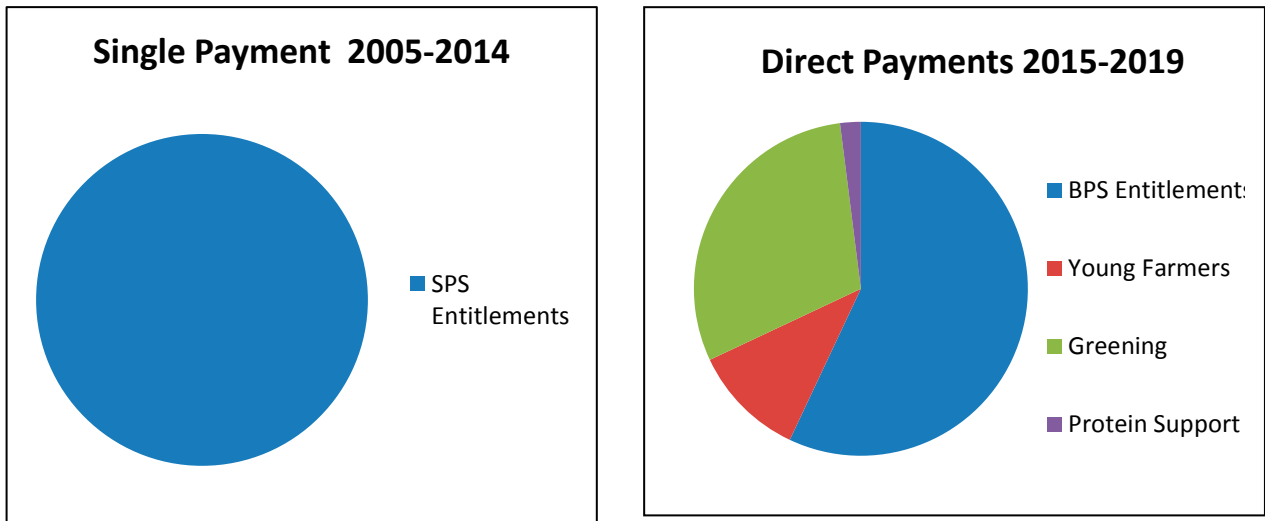
Under the current Single Payment Scheme, a farmer receives a 'single payment' from the one 'Single Payment Scheme' based on the number and value of the entitlements s/he holds.

Under the new Scheme, entitlements are used by the Basic Payment Scheme. The total payment that a farmer receives therefore is only partly based on the entitlements s/he holds. The remainder of the payment is based on 'Greening' and any other scheme that the farmer may participate in.

At a minimum, every eligible farmer will receive a payment that arises from the Basic Payment Scheme and a payment from 'Greening' (which shall be calculated as a fixed percentage of the entitlement value activated by the farmer in a given year). ;

- > Basic Payment Scheme
- > Greening

For example, a farmer who received the Single Payment under the current scheme and who is eligible to participate in the Basic Payment Scheme may also be eligible for the Young Farmers Scheme and Coupled Support for Protein Crops. His payment would therefore be divided up as follows;



Comparison of payment under the Single Payment Scheme and the new Direct Payments Regime

Section 2: The Basic Payment Scheme

All entitlements held by farmers under the current Single Payment Scheme will expire on 31 December 2014.

A new set of entitlements will be allocated to farmers under the Basic Payment Scheme if they apply for such by submitting a Basic Payment Scheme application in 2015 and meet the conditions for eligibility.

Main Features of the Basic Payment Scheme

The Basic Payment Scheme will operate in much the same way as the current Single Payment Scheme;

Similarities

- An application will be submitted each year in which the farmer declares all of his land specifying which hectares are eligible for payment.
- To draw down payment, a farmer must declare one eligible hectare for each entitlement that he holds.
- All entitlements are subject to a 'two-year usage' rule. Any entitlement that remains unused for two consecutive years will revert to the National Reserve.
- Entitlements are not attached to land but are allocated to a person and become the property of that person.
- From 2016 onwards, entitlements may be transferred either with or without land.
- Direct payments (including Basic Payment, Greening, etc) will not issue to a farmer where the total cumulative amount due in a given scheme year is less than €100.00

Differences

However there are also significant differences between the current Single Payment Scheme and the Basic Payment Scheme;

- Entitlements will be subject to convergence which will either increase or decrease their value from year to year. (Entitlements that have an Initial Unit Value between 90% and 100% of the Basic Payment Scheme national average will remain unchanged). Unlike the Single Payment Scheme therefore, the value of entitlements does not remain static but will change from year to year.
- The maximum payment that will be granted to any one farmer under the Basic Payment Scheme in any one scheme year is capped at €150,000.00. (This does not impact on payment received under greening).

- There is no option to consolidate (stack) entitlements under the Basic Payment Scheme. However the process of allocating entitlements (based on the lesser of hectares declared in 2013 and 2015) in 2015 spreads a farmer's value across the eligible hectares on which entitlements are allocated. A farmer who is allocated a lower number of Basic Payment Scheme entitlements than he previously held SPS entitlements will effectively have his value consolidated onto his new set of Basic Payment Scheme entitlements.)
- There is no 'rotation' of entitlements whereby entitlements that were unused in one year would be given priority usage in the following year. In effect this means that if a farmer fails to use 100% of his/her entitlements in at least one year of a two year period, the unused entitlements will revert to the National Reserve.
- In addition to all standard transfers, entitlements may now be transferred by way of lease without land with effect from 2016.

Reference Points

The current Single Payment Scheme is based on 'production' during the 'reference period' of 2000-2002. There is no such 'production reference period' under the new scheme. However the new scheme does make use of 'reference points' for three distinct purposes;

1. 2013: Establishing an Allocation Right:

To be eligible for the automatic allocation of entitlements under the new scheme, a farmer must have been eligible to receive a direct payment under the 2013 scheme year.

2. 2013/2015: Calculation of Number of Entitlements

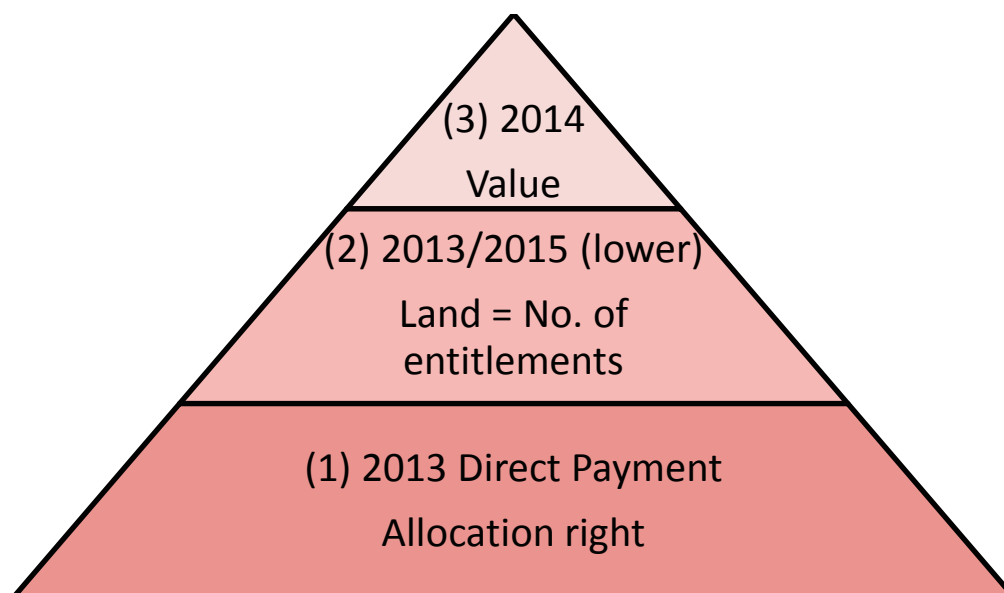
The number of entitlements that will be allocated to a farmer in 2015 under the new Basic Payment Scheme will be based on the number of eligible hectares the farmer declares in either 2013 or 2015, whichever is less.

3. 2014: Calculation of Entitlement Value

The total value of **entitlements** owned (held or leased out) by a farmer under the Single Payment Scheme in 2014 and where relevant the value of payment received under the Grassland Sheep Scheme forms the basis for calculating the value of his entitlements in 2015 under the Basic Payment Scheme. A percentage of each farmer's 2014 value is carried forward and is used to calculate the 'Initial Unit Value' for each farmer in 2015.

As the Basic Payment Scheme ceiling represents only a percentage of the 2014 value that will be carried forward, only a percentage of a farmer's 2014 value of entitlements and the same percentage of Grassland Sheep Scheme payment where applicable is carried forward when calculating the value of his entitlements in 2015.

The following chart illustrates the relationship between these three reference points. The fundamental requirement is that a farmer holds an 'allocation right' (No. 1 above). A farmer who holds a 'value' (No. 3 above) and/or a 'land reference' (No. 2 above) but does not hold an 'allocation right' is not eligible to receive an allocation of entitlements under the Basic Payment Scheme in 2015. For this reason, persons who do not hold an allocation right are advised against buying entitlements in 2014. While such entitlements could be used under the 2014 scheme year, they would not carry forward to the new scheme in 2015 but would simply expire.



The three 'reference points' for establishing new entitlements in 2015

Each of these three reference points is explained in detail in the following sections.

Conditions for Access to Entitlements in 2015

To qualify for participation in the Basic Payment Scheme, a farmer must fulfil the following **two Basic Conditions** and **any one** of the **Eligibility Conditions** listed below;

Basic Conditions

1. Apply for an allocation of entitlements under the Basic Payment Scheme.

To be eligible to participate in the new scheme, a farmer must submit an application for the allocation of entitlements under the Basic Payment Scheme before the closing date for such applications in 2015.

2. Active Farmer

To participate in the Basic Payment Scheme and related schemes a person must be an 'active farmer' as defined in the Direct Payment Regulation. Only persons who fulfil one of the following can be considered as an 'active farmer' and will be eligible to receive a direct payment;

- a. A 'farmer' is defined as a person who carries out an agricultural activity such as 'the rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes'.
- b. Persons who do not engage in one or more of these activities must at a minimum maintain their land in 'good agricultural and environmental condition'.
- c. Where land can be described as an area 'naturally kept in a state suitable for grazing or cultivation' (marginal land), each Member State must establish a level of 'minimum activity' to be carried out by farmers on such land. **This 'minimum activity' has yet to be defined.**

Member States must also exclude from direct payments persons or companies who operate airports, railway services, waterworks, real estate services and permanent sport and recreational grounds. Any person or company that is so excluded from direct payments may be re-admitted if they can provide verifiable evidence that farming forms a significant part of their economic activities.

Eligibility Conditions

In addition to fulfilling both of the Basic Conditions listed above, a farmer must fulfil at least **one** of the following Eligibility Conditions;

Condition 1: Automatic Right of Allocation

Any farmer who was eligible to receive a direct payment in 2013 (Single Payment, Grassland Sheep Scheme, Burren Farming for Conservation Programme, Beef Data Programme) is automatically eligible to receive an allocation of entitlements under the Basic Payment Scheme in 2015. The greater majority of farmers in Ireland will be eligible for an allocation of a new set of entitlements on the basis of this provision.

Note that persons with a combined direct payment of less than €100.00 from these schemes are not considered as having been eligible for a direct payment and will not therefore be granted an automatic allocation right.

Condition 2: Farmers who never held Entitlements but who actively farmed in 2013 (Scottish Derogation)

The so called Scottish derogation allows for the allocation of entitlements to farmers who **never** held entitlements, either owned or leased, but who were actively farming in 2013. Such farmers must produce verifiable evidence of production for that year. Note also that Member States may apply further eligibility criteria for this category of farmers as regards appropriate skills, experience or education. ***The question of whether Ireland will apply such criteria remains to be decided.***

Note: farmers who fulfil this condition are advised not to purchase entitlements under the 2014 scheme year. Such entitlements will not carry forward to the new scheme in 2015 but would have the effect of disqualifying farmers from receiving an allocation of entitlements under the Scottish Derogation.

Condition 3: Farmers who grew fruit and vegetables in 2013

Farmers who were not eligible to receive a direct payment in 2013, and consequently have no automatic 'allocation right' (as in condition 1 above), will be allocated entitlements provided that in the claim year 2013 they grew fruit or vegetables.

Farmers who fall into this category may purchase entitlements in 2014 if they so wish and the value of such entitlements would carry forward on their behalf to the 2015 Scheme.

Note: A minimum area of one hectare on which such fruit and vegetables were grown in 2013 will be applied.

Condition 4: Stepping into the Shoes of Another Farmer: Inheritance/Gift/Addition or Removal of name/Change of Legal Status/Merger/Scission

A number of changes may occur to a holding between the time when a farmer establishes an 'allocation right' (15 May 2013) and when new entitlements will be established for the holding in 2015. The following outlines the implications of some of these changes for establishing entitlements under the new Scheme.

The basic principle that will govern all of these changes is that the allocation right transfers with the land. If the original farmer did not hold an allocation right, then the transfer of that farmer's land does not confer an allocation right on the transferee.

- In the case of the transfer of a holding, or part of the holding, by way of inheritance or gift, the beneficiary is entitled to claim the number and the value of entitlements in 2015 corresponding to the number of hectares transferred under the same conditions as the farmer originally managing the holding. The 'allocation right' transfers with the holding (including land) to the beneficiary and gives the beneficiary the right to establish entitlements.
- Addition/Removal of a Name on the Herdnumber: (e.g. the addition or removal of the name of a son or daughter to the herd-number) has no impact on the number and value of entitlements that will be allocated in 2015.
- A change of legal status (e.g. a sole trader transfers his agricultural activity to a company) has no impact on the number and value of entitlements that will be allocated provided that the farmer who was in control of the original holding also manages the new holding.

Farmers who are farming as a company should declare this on their 2014 Single Payment Scheme application.

- Similarly, the formation of a partnership or the division of a partnership (scission) has no impact on the number and value of entitlements to be allocated in respect of the new holding(s).

Condition 5: Private Contract Clause in case of Sale

In the case of the sale of a **part of a holding** which takes place after 15 May 2014 and prior to the closing date for the 2015 scheme year, the seller may transfer the corresponding entitlements to be allocated to him for the land in question. The entitlements will be established in the account of the seller (based on the seller's reference points) and will then be transferred to the buyer.

To enter into such an agreement, the seller must have an 'allocation right' (i.e. he was eligible to receive a direct payment in 2013), he must meet the definition of 'active farmer' in 2015, he must submit a 2015 Basic Payment Scheme application and he must establish at least one entitlement for his own use in 2015. The purchaser must meet the definition of 'active farmer' in 2015 and must submit a valid application under the Basic Payment Scheme in 2015.

Sale before 15 May 2014

Where a person entered into the sale of part of a holding prior to 15 May 2014 a Private Contract Clause **cannot be used**.

In this case the value of the entitlements would be transferred permanently to the buyer in 2014 who would then carry forward their value to the 2015 Scheme (presuming the buyer is eligible to participate in the Basic Payment Scheme). However the land which is transferred to the buyer would not be included in the calculation of the number of his entitlements in 2015 as he is limited by the 2013/2015 rule. Essentially he would end up with higher value entitlements based on the number of hectares declared in 2013 and the land which he purchased would not be covered by entitlements.

Impact of the Sale of an Entire Holding Including Entitlements

A person who sells his entire holding including entitlements after the 15 May 2014 and prior to the closing date for the 2015 scheme year would not be permitted to enter into a Private Contract Clause as he would not meet the definition of 'active farmer' in 2015 and would not establish entitlements in his own right. If a person entered into such an agreement during this timescale he would not be able to establish entitlements in 2015 and the value of entitlements associated with the holding under the current Single Payment Scheme would be lost to both parties.

Condition 6: Private Contract Clause in case of Lease

In the case of the lease of **part of a holding** which takes place prior to the closing date for the 2015 scheme year and which covers a period that includes the 2015 scheme year, the lessor may lease out along with the land the corresponding entitlements that will be allocated to him on the land in question. The entitlements will be established in the account of the lessor (based on the lessor's reference points) and will then be transferred to the lessee for the period of the lease. Such a Private Contract Clause can be used to recognise an existing lease under the Single Payment Scheme and carry it forward to the Basic Payment Scheme.

To enter into such an agreement, the lessor must have an 'allocation right' (i.e. eligible to receive a direct payment in 2013), he must meet the definition of an 'active farmer' in 2015 and submit a valid Basic Payment Scheme application in 2015 whereby he establishes at least one entitlement in his own right. The lessee must meet the definition of 'active farmer' in 2015 and submit a valid application under the Basic Payment Scheme in 2015. The lease agreement must cover a period that includes the closing date for the 2015 scheme year, i.e. the lessee must have possession of the land and declare that land for the 2015 scheme year.

Impact of the Lease of an Entire Holding

A person who leases out his entire holding prior to the closing date for the 2015 scheme year would not be permitted to enter into a Private Contract Clause as he would not meet the definition of 'active farmer' in 2015 and would not establish entitlements in his own right. If a person entered into such a lease agreement during this timescale he would not be able to establish entitlements in 2015 and the value of entitlements he holds under the current Single Payment Scheme would be lost.

Condition 7: Transfer of Allocation Right with Sale or Lease of Land

Where a farmer sells or leases part of his holding, he may also transfer an 'allocation right' for the transferred land to the purchaser/lessee. Such a Private Contract Clause is only relevant where the buyer/lessee ***does not already hold an allocation right of his own.***

The transferred 'allocation right' will apply only to the number of hectares which have been purchased or leased in and allows the purchaser/lessee to establish entitlements in 2015 on that land. It does not give an allocation right for any other land held by the purchaser/lessee.

To enter into such an agreement, the seller/lessor must have an 'allocation right', he must meet the definition of an 'active farmer' in 2015 and submit a valid Basic Payment Scheme application in 2015 whereby he establishes at least one entitlement in his own right. The purchaser/lessee must meet the definition of an 'active farmer' and must submit a valid application in 2015 under the Basic Payment Scheme.

Condition 8: Allocation of Entitlements from the National Reserve

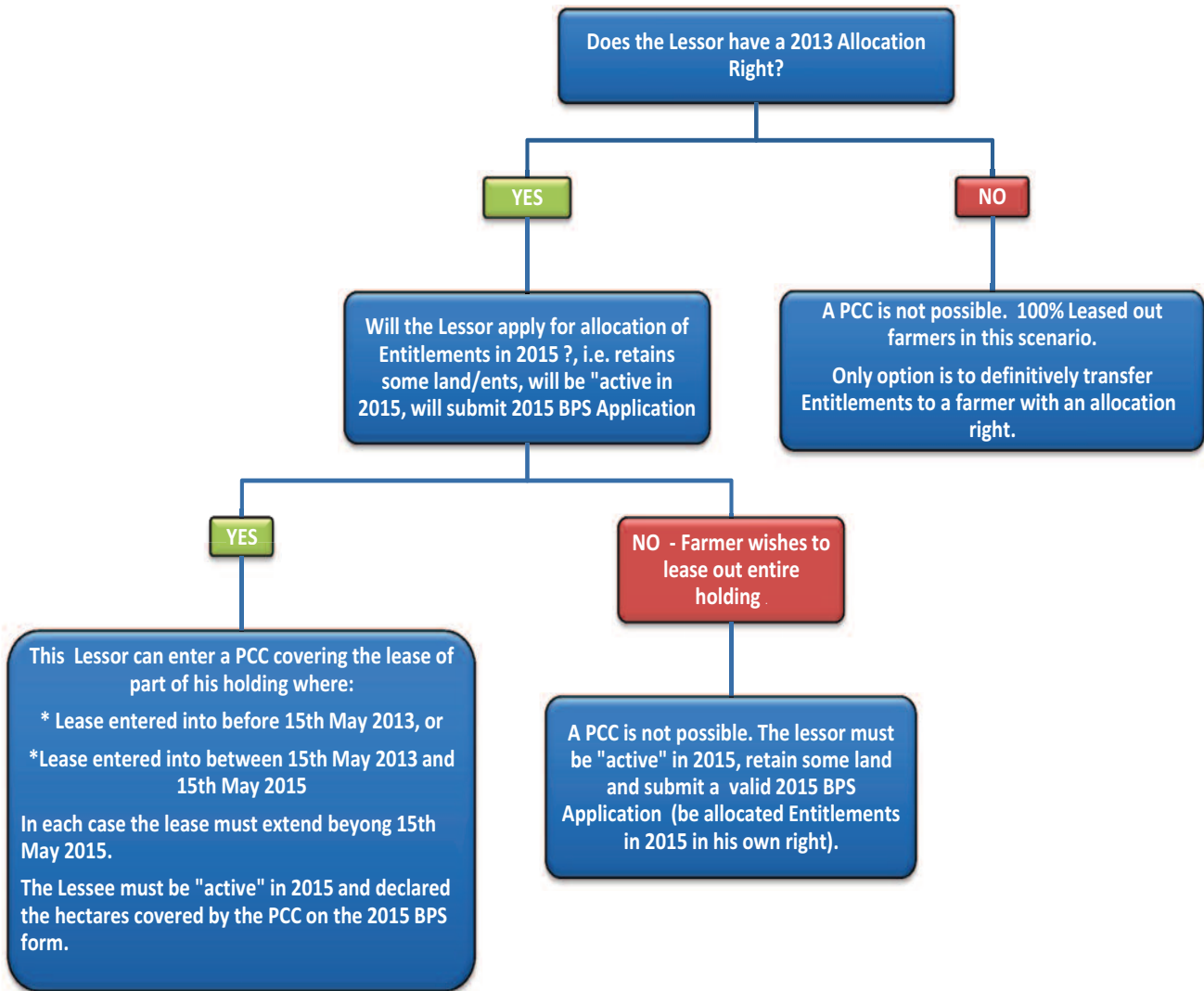
Priority under the National Reserve is given to persons who qualify either as 'young farmers' or as 'new entrants'.

The National Reserve will be used both to allocate new entitlements on land that is free of entitlements and to give a top-up to the value of existing entitlements whose value is below the national average entitlement value.

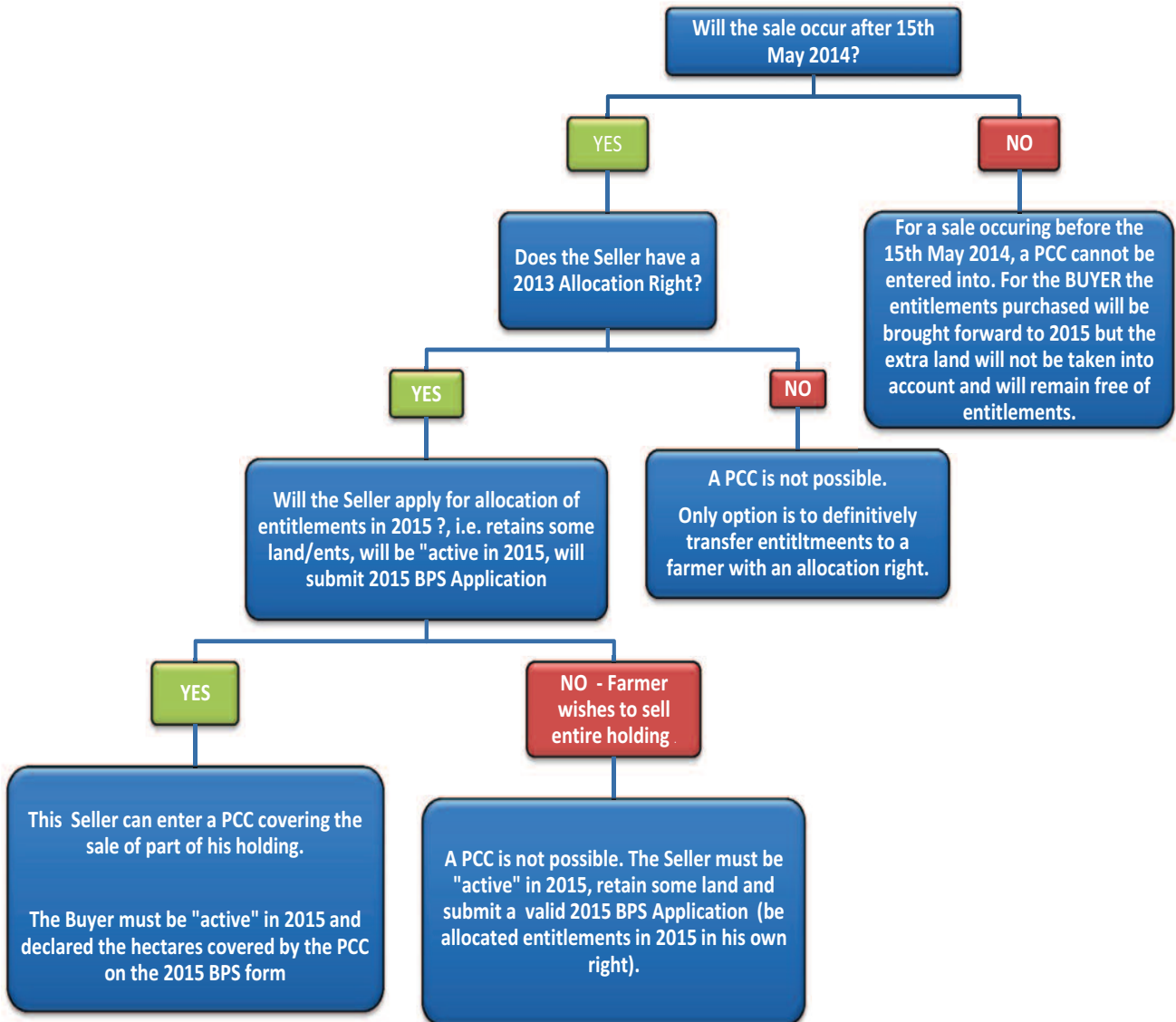
See 'National Reserve' on page 31 for conditions of eligibility.

In addition to the conditions noted above, each of the schemes has its own additional conditions for eligibility.

Can I enter into a Lease PCC for 2015?



Can I enter into a Sale PCC for 2015?



Allocating Entitlements in 2015

When calculating entitlements in 2015, there are three values to be defined;

- The **Number** of entitlements to be allocated to a farmer
- **Total value** of entitlements to be allocated to a farmer
- **Initial Unit Value** of entitlements (obtained by dividing the **total value** of entitlements by the **number** of entitlements)

The process for calculating each of these values is outlined below.

Calculating the Number of Entitlements

As noted previously (see Reference Points on page 9), the number of entitlements that will be allocated to a farmer under the new Basic Payment Scheme will be based on;

- The number of eligible hectares the farmer declares in 2013 and 2015, whichever is lower

For example, if a farmer declares the following;

2013	50 hectares
2015	40 hectares

The number of entitlements allocated to this farmer in 2015 will be 40.

Number of Entitlements = Number of Hectares declared in 2013 and 2015, whichever is lower

Calculating the Value of Entitlements

The value of entitlements that will be allocated to a farmer in 2015 will be based on a **fixed percentage** of the **value** held by the farmer in 2014.

A farmer's 2014 **value** consists of;

1. Total value of entitlements **owned** by the farmer in 2014 (including the value of entitlements which the farmer has leased out in 2014)
2. Total payment received by the farmer under the Grassland Sheep Scheme (if any)

A farmer who leases out entitlements in 2014 is considered to **own** those leased entitlements and the value of the leased entitlements will be assigned to the owner (lessor), not to the person who is leasing them in (the lessee).

As the Basic Payment ceiling forms only a percentage of the total 2014 value to be carried forward, only a **percentage** of the farmer's 2014 value is carried forward to calculate the value of his/her entitlements in 2015.

For example:

2014 Value of Entitlements	= €7,000.00
Entitlements leased out by the farmer	= €2,000.00
2014 Grassland Sheep Scheme payment	= <u>€1,000.00</u>
Total 2014 Value	= €10,000.00
Estimated percentage carried forward	= *60%
Value used to establish entitlements in 2015	= €6,000.00

*It is estimated that approximately 60% of the value of entitlements held by a farmer under the Single Payment Scheme and of the value of any payment the farmer receives under the Grassland Sheep Scheme will be carried forward to the calculation of his total value of entitlements under the Basic Payment Scheme. The exact percentage will not be known until 2015.

Calculating the Initial Unit Value

The '**value**' that is carried forward from 2014 is spread across the '**number**' of entitlements that is allocated to the farmer in 2015. This gives the farmer's **Initial Unit Value**. The Initial Unit Value forms the basis of all subsequent convergence calculations for the value of those entitlements for each year of the scheme.

For example:

Number of Entitlements allocated in 2015	= 40
Value carried forward from 2014	= €6,000
Initial Unit Value	= €150.00 (€6,000 divided by 40)

Applying Internal Convergence

All entitlements held under the Basic Payment Scheme are subject to convergence.

In simple terms, those who hold entitlements with an Initial Unit Value that is above the Basic Payment Scheme national average will see the value of their entitlements decrease over the five years of the scheme while those with entitlements that have an Initial Unit Value that is below 90% of the Basic Payment Scheme national average will see the value of their entitlements increase gradually over the five years of

the scheme. Those who hold entitlements that have an Initial Unit Value which is between 90% and 100% of the Basic Payment Scheme national average value will see no change.

There are three possible 'convergence effects';

- 1. Unit Value will Increase:** A farmer whose 'Initial Unit Value' under the Basic Payment Scheme is below 90% of the Basic Payment Scheme national average value shall have his Initial Unit Value increased by one third of the difference between his 'Initial Unit Value' in 2015 and 90% of the Basic Payment Scheme national average. This increase shall take place in five equal steps over the period 2015 to 2019.
- 2. Unit Value will remain unchanged:** Where the Initial Unit Value held by a farmer is between 90% and 100% of the Basic Payment Scheme national average, the Unit Value of entitlements will remain unchanged.
- 3. Unit Value will decrease:** Where the 'Initial Unit Value' is above 100% of the Basic Payment Scheme national average, the value of such entitlements which is in excess of 100% of the Basic Payment Scheme national average will be reduced over the five years by whatever amount is required to fund the increase for those below 90% of the Basic Payment Scheme national average.

The entire process of 'convergence' is based on the setting of a **Basic Payment Scheme national average**. The Basic Payment Scheme national average cannot be calculated until all land is declared and accepted as eligible under the 2015 scheme year. At this stage it is not possible to confirm the Basic Payment Scheme national average nor to identify those farmers who will be above or below that value.

Minimum Value by 2019

In addition to the standard level of convergence outlined above, a further test is applied whereby all farmers must reach a minimum entitlement value of **60% of the Basic Payment Scheme national average** by 2019. If a farmer does not reach 60% under the standard convergence, then the value of his entitlements will be increased in equal steps to ensure that by 2019 that level is reached.

Maximum Value by 2019

By 2019 no farmer may receive a payment per hectare (Basic Payment and Greening) of more than €700.00.

Farmers who hold entitlements with an Initial Unit Value that is above 100% of the Basic Payment Scheme national average will be converged downwards over the five years of the scheme. However if by 2019 they still receive a payment per hectare which is greater than €700, they will be further adjusted downwards so that their payment per hectare is not greater than €700. The test for this 'maximum value' therefore is not applied gradually over the five years of the scheme but only as a once-off adjustment in 2019.

Notification of Entitlement Value

The calculation of the value of entitlements under the Basic Payment Scheme cannot be undertaken until all land is declared and accepted as eligible in 2015. The number of eligible hectares in 2015 is required to calculate the 'Basic Payment Scheme national average entitlement value' around which the entire process of convergence is based. It is intended that a provisional statement of entitlements will issue in 2015 and that a definitive statement of entitlements will issue before April 2016.

Calculation of Entitlement Value for Sample Farmer

There are five steps involved in calculating a farmer's payment under the new scheme;

1. Calculate **number** of entitlements
2. Calculate **total value** of entitlements
3. Calculate the **Initial Unit Value**
4. Calculate **convergence** for each year from 2015 to 2019
5. Apply **60%** Minimum Payment test

The following example is based on a sample farmer with a profile as outlined in the table on the left. The 'national average entitlement value' is estimated as outlined in the table on the right.

Profile of Sample Farmer	
2013 hectares	50
2015 hectares	40
2014 Entitlement Value	€105.00
2014 Number of Entitlements	40
2014 Total Value of entitlements	€4,200.00

National Averages	
*Estimates only	
National Average Entitlement Value*	€170
90% National Average*	€153
60% National Average	€102

The following calculations would apply to this farmer in 2015;

Step 1: Calculate Number of Entitlements

Lesser of hectares declared in 2013 and 2015

Number of entitlements = 40

Step 2: Calculate Total Value of Entitlements in 2015

Value carried forward from 2014 (approx. 60% of €4,200.00)

Total Value of Entitlements in 2015 = €2,520.00

Step 3: Calculate Initial Unit Value in 2015

Total Value (€2,520.00) divided by Number of Entitlements (40)

Initial Unit Value = €63.00

Step 4: Apply Convergence

Difference between 90% Basic Payment Scheme average and

Initial Unit Value (€153-€63) = €90

1/3 of the difference = €30

Annual increase in Entitlement value (€30/5 years) = €6.00

2015 Entitlement value (€63 + €6.00) = €69

2016 Entitlement Value (€69 + €6.00) = €75

2017 Entitlement Value (€75 + €6.00) = €81

2018 Entitlement Value (€81 + €6.00) = €87

2019 Entitlement value (€87 + €6.00) = €93.00

Step 5: Apply 60% Minimum Value Test

60% Minimum of national average (60% of €170) = €102.00

At a unit value of €93.00, this farmer has not reached 60% minimum by 2019

Instead of an increase of €6.00, the farmer needs an annual increase of €7.80 to arrive at €102.00 by 2019

= €7.80

2015 Revised entitlement value = €70.80

2019 Revised entitlement value = €102.00

Note that this farmer would also receive a Greening payment which will be calculated as a fixed percentage of the entitlements activated under the Basic Payment Scheme. If eligible, he may also receive an additional payment as part of the Young Farmers Scheme and a payment under the Coupled Support for Protein Crops.

For a farmer whose Initial Unit Value is above the Basic Payment Scheme national average, steps 1 to 3 will be applied in the same manner as outlined above. However such a farmer's Initial Unit Value will be reduced each year. The reduction is applied only to the amount that is over 100% of the Basic Payment Scheme national average and will be based on the amount needed to fund the increase in the value of those farmers whose Initial Unit Value is below 90% of the Basic Payment Scheme national average.

The figures used above are based on estimates only and are solely for the purposes of illustration. The Basic Payment Scheme national average may be higher or lower than the figures presented depending on the overall number of eligible hectares declared in 2015.

Note on the Status of Leased Entitlements

All entitlements held under the Single Payment Scheme expire on the 31 December 2014 including entitlements that are leased from one farmer (lessor) to another (lessee).

When carrying forward the value of leased entitlements to the Basic Payment Scheme in 2015, such value will be assigned to the owner of the entitlements (where he is eligible for an allocation of entitlements under the Basic Payment Scheme) and not to the lessee.

As noted previously (see condition 6 on page 13), there is a provision whereby persons may enter into a Private Contract Clause (PCC) where the lessor may lease out together with a part of the holding the corresponding payment entitlements that will be allocated in 2015.

Persons who Leased Out all Entitlements in 2013 and who do not have an 'Allocation Right'

Where lessors have leased out all of their entitlements for a period which includes the 2013 scheme year (or leased out a portion of their entitlements but were not eligible to receive a direct payment in 2013 under the Single Payment Scheme, the Grassland Sheep Scheme, the Burren Farming for Conservation Programme or the Beef Data Programme) they will not have an automatic '**allocation right**' and consequently would not have access to the Basic Payment Scheme in 2015. As a consequence, these 100% lessors will neither be eligible to establish entitlements in their own right, nor can they enter into a Private Contract Clause to transfer entitlements to the lessee.

The value of such leased entitlements will be lost to both lessor and lessee unless the entitlements in question are transferred permanently by sale or gift before 15 May 2014.

Such persons who do not have an '**allocation right**' but who have leased out entitlements in 2014 may avoid this loss by reviewing their existing arrangements and entering into a permanent transfer of the entitlements under the 2014 scheme year, ideally to the existing lessee who is leasing the land. A permanent transfer involves the transfer of 'ownership' of the entitlements by way of sale or gift. The terms and conditions of such an agreement is solely a matter for the parties involved. Such a transfer involves the transfer of the entitlements only.

Transfer of Entitlements

The transfer of entitlements in 2015 will be restricted to those transfers which need to take place, i.e. inheritance, gift, change of legal entity, administrative transfer, partnerships and scission. Where eligible to do so, farmers may enter into an agreement before 15 May 2015 to transfer land either by way of sale or lease along with the associated Basic Payment Scheme entitlements by way of Private Contract Clause and the entitlements will be transferred to the purchaser/lessee in 2015. (See section on Private Contract Clause on page 13). The sale or lease of newly established Basic Payment Scheme entitlements will not be permitted in 2015 (unless by way of Private Contract Clause entered into before 15 May 2015).

From the 2016 scheme year, the transfer of entitlements will operate as normal where entitlements may be transferred within a Member State. However, with the exception of gift or inheritance, they may only be transferred to persons who meet the definition of 'active farmer'. Additional flexibility is added in that entitlements may be leased out either with or without land.

Both the 'Initial Unit Value' of each entitlement and its subsequent value over the five years of the scheme will be calculated at the time of allocation and will be notified to the farmer. Where an entitlement is transferred, it retains its original 'Initial Unit Value' and its unique convergence path for each year of the scheme. Where a farmer leases in an entitlement with an 'Initial Unit Value' that is above 100% of the Basic Payment Scheme national average, he will see its value decrease over the five years of the scheme. Where a farmer leases in an entitlement with an 'Initial Unit Value' that is below 90% of the Basic Payment Scheme national average, he will see its value increase over the five years of the scheme.

No 'claw-back' will apply to any type of transfer.

Section 3: Greening

Greening forms an essential part of CAP 2015. Farmers who participate in the Basic Payment Scheme must implement the three standard greening measures as follows;

- Crop diversification
- Permanent grassland
- Ecological Focus Area (EFA)

It is important to note that the greening obligations apply to all hectares on a farmer's holding, not just to those eligible hectares used to draw down payment. For example, if a farmer holds 80 hectares but only 50 entitlements, greening must be observed on all 80 hectares.

There are a number of scenarios where a holding or part of it may be considered as 'green by definition' and there is no further obligation to implement the three greening standard measures. Some of the most significant are;

- Land that is subject to organic farming practices automatically fulfils all greening requirements. However such exemption only applies to that part of the holding which is farmed organically.
- Holdings where more than 75% of the eligible agricultural area is permanent grassland or is used for the production of grasses or other herbaceous forage have no further obligation to implement the three greening measures, provided the remaining arable area does not exceed 30 hectares.
- Holdings which fall within the scope of the 'Directive on Conservation of Natural Habitats and of Wild fauna and flora' and by the 'Directive on Conservation of Wild Birds' are entitled to receive the greening payment but must implement the three greening measures to the extent that those measures are compatible with these Directives.

All relevant exemptions are listed under each of the greening measures below.

Calculation of Greening Payment

Thirty percent of our annual national ceiling will be applied to greening. In 2015 this provides a fund of €364,500,900.00.

The greening payment will be calculated as an annual fixed percentage of the value of the entitlements activated by the farmer under the Basic Payment Scheme. The same percentage will be applied to all farmers in each year.

Crop Diversification

Crop diversification is designed to encourage a diversity of crops on holdings which have arable land. There is no 'crop diversification' requirement where a farmer holds less than ten hectares of arable land. Where a farmer holds between ten and thirty hectares of arable land, he is obliged to grow at least two crops of which the primary crop shall not cover more than 75% of the arable land of the holding. Where a farmer holds more than thirty hectares of arable land, he is obliged to grow at least three crops of which the main crop shall not cover more than 75% of the arable land while the two main crops together shall not cover more than 95% of the arable land. These thresholds are summarised in the following table.

Crop Diversification		
Amount of arable land	Number of Crops	Percentages
Less than 10 hectares	No 'crop diversification' obligation	
Between 10 and 30 hectares	At least two crops	Main crop not more than 75% of the arable land
More than 30 hectares	At least three different crops	Main crop not more than 75% of arable land Two main crops together not more than 95% of arable land

Exemptions to Crop Diversification

Farmers will be exempted from crop diversification in the following circumstances;

1. Where more than 75% of the arable land of a holding is used for the production of grasses or other herbaceous forage or arable land laying fallow, or a combination of these, provided the remaining arable area does not exceed 30 hectares
2. Where more than 75% of the eligible land of the holding is permanent grassland, used for production of grasses or other herbaceous forage or a combination of these, provided the arable area not covered by these uses does not exceed 30 hectares
3. Where more than 50% of the areas under arable land was not declared by the farmer in his aid application of the previous year and where all arable land is being cultivated with a different crop compared to that of the previous year
4. Land that is subject to organic farming practices automatically fulfils all greening requirements. However such exemption only applies to that part of the holding which is farmed organically.

Definition of Crop

In addition to the standard crops, the definition of crop includes 'arable land laying fallow' and temporary 'grasses or other herbaceous forage'. Winter crop and spring crop are considered as distinct crops.

Each hectare of arable land can only be taken into account once in each scheme year for the purposes of calculating the shares of different crops.

Permanent Grassland

Permanent grassland is defined as land that has not been included in the crop-rotation of a holding for five years or more. ***The obligation to maintain 'permanent grassland' is managed primarily at national level.*** Ireland must ensure that the ratio of permanent grassland to total agricultural area shall be maintained and that this ratio shall not decrease by more than 5% compared with 2012.

While there is no obligation imposed at the level of individual holding, if a decrease in the ratio of more than 5% occurs, individual farmers will be obliged to reconvert land back to permanent grassland.

Land that is converted to forestry is exempted and does not have any impact on the calculation of the ratio of permanent grassland to the total agricultural area.

Member States are obliged to designate areas of environmentally sensitive permanent grassland covered by the 'Directive on Conservation of Natural Habitats and of Wild fauna and flora' and by the 'Directive on Conservation of Wild Birds' including permanent grassland in peat and wetlands situated in such areas. Permanent grassland in such designated lands shall not be converted nor ploughed by farmers. Such environmentally sensitive permanent grassland areas will be designated in due course.

Ecological Focus Area (EFA)

Farmers whose holdings include more than 15 hectares of arable land must ensure that at least 5% of that arable land is allocated to Ecological Focus Area. This percentage will be reviewed in 2017 at which time it may increase to 7%.

Land that is considered as Ecological Focus Area may include any one or more of the following;

- Arable land laying fallow
- Terraces
- Landscape features (hedges with a width of up to 10 metres, ponds of up to a maximum of 0.1 hectare, ditches with a maximum width of 6 metres including open watercourses for the purpose of irrigation or drainage, trees in line or in group, field margins, traditional stone walls)
- Buffer strips (including buffer strips along watercourses under the Nitrates regulation).
- Strips of eligible hectares along forest edges

- Areas of short rotation coppice with no use of mineral fertiliser and/or plant protection products
- Land covered by agro-forestry
- Areas with catch crops, or green cover, established by the planting and germination of seeds using a mixture of crop species or by under-sowing grass in the main crop. (Winter crops sown in the Autumn for the purpose of harvesting or grazing are not considered as catch crops/green cover for the purpose of Ecological Focus Area.)
- Areas with nitrogen fixing crops (if not used for the purposes of Crop Diversification)

Ecological Focus Area must be located on the arable area with the exception of landscape features and buffer strips which may be adjacent to the arable land.

Ireland will apply a conversion matrix which allocates a fixed area to specific features and a weighting matrix which takes account of the environmental value of such features, e.g. a tree would be given a fixed area in square meters. (See table of Conversion and Weighting factors on page 28)

Exemptions to Ecological Focus Area

The following are exempted from applying Ecological Focus Area;

- Holdings where more than 75% of the eligible agricultural area is permanent grassland or is used for the production of grasses or other herbaceous forage, provided the remaining arable area does not exceed 30 hectares.
- Holdings where more than 75% of the arable land is used for production of grass or other herbaceous forage, is arable land laying fallow, is cultivated with leguminous crops, or a combination of these uses, provided the remaining arable area does not exceed 30 hectares.
- Land that is subject to organic farming practices automatically fulfils all greening requirements. However such exemption only applies to that part of the holding which is farmed organically.

EFA Conversation and Weighting Factors

Features (m/tree to m ²)	Conversion Factor	Weighting Factor (if both factors are applied)	Ecological Focus Area
Land Lying Fallow (per 1 m ²)	n.a	1	1 m ²
Terraces (per 1m)	2	1	2 m ²
Landscape Features:			
<u>Hedges/wooded strips</u> (per 1m)	5	2	10 m ²
<u>Trees in line</u> (per 1m)	5	2	10 m ²
<u>Group of Trees/Field copses</u> (per 1m ²)	n.a	1.5	1.5 m ²
<u>Field Margin</u> (per 1m)	6	1.5	9 m ²
<u>Ponds</u> (per 1m ²)	n.a	1.5	1.5 m ²
<u>Ditches</u> (per 1m)	3	2	6 m ²
<u>Traditional stone walls</u> (per 1m)	1	1	1 m ²
<i>Other features not listed above but protected under GAEC7, SMR 2 or SMR 3</i> (per 1 m ²)	n.a	1	1 m ²
Buffer Strips (per 1 m)	6	1.5	9 m ²
Hectares of Agro Forestry (per 1 m ²)	n.a	1	1 m ²
Strips of eligible hectares along forest edges (per 1m)			
Without production	6	1.5	9 m ²
With production	6	0.3	1.8 m ²
Areas with short rotation coppice (per 1 m ²)	n.a	0.3	0.3 m ²
Afforested areas as referred to in Article 32(2)(b)(ii) (per m ²)	n.a	1	1 m ²
Areas with catch crops or green cover (per 1 m ²)	n.a	0.3	0.3 m ²
Areas with nitrogen fixing crops (per 1 m ²)	n.a	0.3	0.3 m ²

Section 4: Young Farmers Scheme

Ireland will establish a Young Farmers Scheme the purpose of which is to encourage the participation of young farmers in agriculture. The scheme will assist young farmers in the initial stages of establishing a farming enterprise in their own name by providing an additional payment. Ireland will allocate 2% of its national ceiling (€24,300,060.00) to the scheme in 2015.

Note that the Young Farmers Scheme and the National Reserve share the same definition of young farmer. In many cases, a person who qualifies as a young farmer but who does not hold entitlements or holds entitlements which are below the National Reserve national average will be eligible for an allocation of entitlements from the National Reserve and will then also receive the payment under the Young Farmers Scheme. See National Reserve (page 31)

Who Qualifies as a 'Young Farmer'

To qualify for participation in the Young Farmers Scheme, a farmer must meet **all** of the following conditions;

- S/he is participating in the Basic Payment Scheme
- S/he is aged no more than 40 years of age in the year when s/he first submits an application under the Basic Payment Scheme
- S/he is setting up an agricultural holding for the first time or has set up such a holding during the five years preceding the first submission of the Basic Payment Scheme application
- S/he has successfully completed a recognised course of education in agriculture giving rise to an award at FETAC level 6 or its equivalent

Defining 'Young Farmer' for Groups

Some young farmers may undertake their farming activities as part of a group, e.g. in a joint herdnumber, a partnership or a company. In these circumstances, the group will be considered to meet the definition of a 'young farmer' if the following conditions are met;

- At least one person in the group must meet the definition of 'young farmer' as outlined above
- That 'young farmer' must exercise effective and long term control over the group in terms of decisions related to the management, benefits and financial risks and will provide verifiable evidence of such if required
- The 'five year' period will be counted from the time that the 'young farmer' assumes such decision making power within the group.
- The payment will cease when the 'young farmer' ceases to exercise effective and long term control over the group in terms of decisions related to management, benefits and financial risks

Calculating the Young Farmers Payment

For persons who qualify as 'young farmers', the payment is governed by the following conditions;

1. Duration of the Payment

A young farmer will receive the payment under the Young Farmers Scheme for a maximum period of five years. The 'five years' is dated from the year of setting up of the holding in his/her own name (i.e. from when the young farmer is allocated a herd-number or if in a group from when the young farmer exercises effective and long term control over the group in terms of decisions related to management, benefits and financial risks). However the payment will only be made for any year of the 'five years' which fall in 2015 or after.

For example, for a young farmer who sets up in early 2013, the 'five years' would cover the period 2013, 2014, 2015, 2016 and 2017. However as the Young Farmers payment is only available from 2015 onwards, such a young farmer would only receive the payment for the three years 2015, 2016, 2017.

A young farmer who establishes his holding in early 2015 would receive the full five years of the Young Farmers payment.

2. Maximum Number of Entitlements to which payment is applied

The Young Farmers Scheme payment will be based on the number of entitlements activated by the young farmer but with a maximum limit of 50.

If a young farmer holds 60 entitlements and draws down payment on all of them, the Young Farmers payment will only be applied to 50.

If a young farmer holds 60 entitlements but draws down payment on only 45 entitlements, the Young Farmers payment will only be applied to 45.

If a young farmer declares 20 entitlements and draws down payment on all of them, he will receive the Young Farmers payment on 20.

If two young farmers form part of a partnership under the same herd-number and draw down payment on 80 entitlements, the payment will issue only on 50.

3. Payment per Entitlement

In Ireland the Young Farmers payment will be calculated as 25% of the Young Farmers Scheme national average payment per hectare (based on the national ceiling) multiplied by the number of entitlements activated by the young farmer (subject to the maximum number of 50 as noted in point 2 above).

Section 5: National Reserve

Ireland will establish a National Reserve using 3% of the ceiling allocated to the Basic Payment Scheme in 2015. This will provide a reserve of €24,786,061.20. This is a once-off allocation and in subsequent years the Reserve is replenished from the return of unused entitlements.

Priority for the allocation of entitlements from the Reserve is given to 'young farmers' and to those who 'commence their agricultural activity' i.e. new entrants to farming. In all cases, allocations of entitlements from the Reserve may only be given to persons who meet the definition of 'active farmer'.

The Reserve will be used both to allocate new entitlements and to increase the unit value of existing entitlements held by a farmer.

Definition of Young Farmer and New Entrant

A 'young farmer' under the National Reserve is defined in the same way as under the 'Young Farmers Scheme' (see page 29).

A 'new entrant to farming' is defined as follows;

- they commenced their agricultural activity in the 2013 calendar year or any later year
- they submit an application under the Basic Payment Scheme not later than two years after the calendar year in which they commenced their agricultural activity
- they did not have any agricultural activity in their own name and at their own risk in the five years preceding the start of the new agricultural activity
- they successfully completed a recognised course of education in agriculture giving rise to an award at FETAC level 6 or its equivalent
- other criteria (to be decided), such as off-farm income, may be applied both to young farmers and to new entrants regarding their application to the National Reserve

Value and Number of Entitlements to be Allocated

For eligible farmers, the National Reserve will be used both to allocate new entitlements and/or to increase the value of entitlements held by a farmer which are below the National Reserve national average entitlement value. The following criteria govern the number and value of entitlements to be allocated from the National Reserve;

- The value of entitlements that will be allocated under the National Reserve will be based on the National Reserve national average in the year of allocation. The National Reserve national average may vary slightly from year to year and entitlements allocated from the Reserve may be subject to slight modifications in subsequent years.

- The number of entitlements that will be allocated to an eligible farmer will be based on the number of eligible hectares declared by that farmer.(subject to the last bullet point below)
- Where an eligible farmer holds entitlements whose value is below that of the National Reserve national average value of entitlements, the value of his entitlements will be increased to the National Reserve national average value of entitlements (subject to the last bullet point below)
- Where an eligible farmer holds more land than entitlements, he will be allocated a number of entitlements equal to the number of 'surplus' hectares he holds. In other words, he may be allocated entitlements to cover the hectares for which he does not hold entitlements (subject to the last bullet point below)
- An allocation from the National Reserve may be subject to a cap (to be decided) in terms of the number and/or value of entitlements to be allocated

Section 6: Voluntary Coupled Support for Protein Crops

Ireland will implement a Scheme of Coupled Support for Protein Crops. The rate of payment and the terms and conditions which will govern this scheme will be published in due course.

Section 7: Circumvention of Rules Governing Direct Payments

EU Regulations provide that where a person or a legal entity artificially creates the conditions required for obtaining the benefit of any one or more schemes that form part of the application of Direct Payments, such person or legal entity shall not benefit from such advantage under those schemes.

Section 8: Frequently Asked Questions (FAQs)

The following list of questions is provided to assist in clarifying some of the principle issues that may arise in the implementation of the new Direct Payments regime. If you have further detailed queries relating to your specific circumstances, you may contact the 2015 CAP Information Centre. Contact details are provided on page 39.

Eligibility

Q. 1 *I am entering farming for the first time and intend buying entitlements in 2014. Will the value of these entitlements carry forward to the new scheme in 2015?*

A. 1 No. To be eligible for an allocation of entitlements under the new scheme in 2015, you must have an allocation right (based on being eligible to receive a direct payment in 2013). As you entered farming in 2014 you will not have an allocation right and the value of entitlements which you purchase in 2014 will not carry forward to the new scheme. You will draw down payment on them in 2014 but they will expire on 31 December 2014.

Q. 2 *I intend to purchase a farm in late 2014. There are entitlements associated with this land but will I be able carry forward those entitlements to the new scheme in 2015?*

A.2 As noted in the Question above, the purchase of entitlements on their own does not entitle a person to establish entitlements in 2015. However, where the entitlements have been transferred with land, there is a possibility that you could enter into a Private Contract Clause with the seller if the sale occurs after the 15th May 2014. To enter into such a Contract, the seller needs to have an allocation right based on being eligible to receive a direct payment in 2013, must meet the definition of 'active farmer', must submit a valid Basic Payment Scheme application in 2015 and must establish entitlements in his own right in 2015. As the purchaser, you must meet the definition of an 'active farmer' in 2015 and must submit a valid Basic Payment Scheme application in 2015. If both of you meet these conditions, the Private Contract Clause would allow for the establishment of the entitlements in the seller's account and their subsequent transfer to you in 2015.

Note that where the sale of a land and entitlements takes place before 15 May 2014, it is not possible for the parties enter into a Private Contract Clause as the entitlements are transferred permanently to the buyer for the 2014 scheme year.

Q. 3 *In 2013 I held €90 worth of entitlements (no other payments). Do I qualify for an allocation of entitlements in 2015?*

A.3 No. Persons who were entitled to receive a payment of less than €100 under direct payments were not considered as eligible to receive a direct payment in 2013 and consequently do not have an automatic allocation right to receive entitlements in 2015.

Q.4 *In 2013 I was entitled to receive €80 under the Single Payment Scheme and €80 under the Grassland Sheep Scheme. Do I have an allocation right whereby I will receive new entitlements in 2015?*

A. 4 Yes. The total value of direct payments you were entitled to receive in 2013 from each of the direct payments schemes (Single Payment, Grassland Sheep Scheme, Burren Farming for Conservation Programme, Beef Data programme) will be taken into account. In this case you were entitled to receive a direct payment of €160 and you are therefore over the €100 threshold.

Q. 5 *I received a DAS payment in 2013, does this qualify me to receive entitlements in 2015?*

A.5 No. Payment received under the Disadvantaged Areas Scheme relates to Pillar II payments and is not considered a 'direct payment'. It does not confer an allocation right.

Q. 6 *I entered the Early Retirement Scheme in 2006 at which time I leased out my land and entitlements. Am I eligible to re-enter the system and receive an allocation of entitlements under the new scheme in 2015?*

A. 6 Persons who entered the Early Retirement Scheme agreed that they would never re-enter farming and received a pension on the basis of such agreement. Such persons are therefore excluded from re-entering the direct payment system and will not receive an allocation of entitlements under the new scheme. Persons who repay the entirety of the payments they received under the Early Retirement Scheme would be allowed re-enter farming. However even under these circumstances, they most likely would not hold any of the 'reference points' which allow for an allocation of new entitlements in 2015.

Q. 7 *A farmer is actively farming and receives a single payment in 2013 but sells his entitlements in 2014 and transfers his herd-number and his land by gift to his son who is commencing farming in 2014. Is the son eligible to receive entitlements on the basis of the Scottish derogation?*

A. 7 No. To benefit from the Scottish derogation (where entitlements will be given to a person who never held entitlements) a farmer must be actively farming in 2013. The herd-number is transferred in 2014 and the son was not farming in 2013 therefore he does not have an allocation right. However the father has established an 'allocation right' and this transfers with the land to the son. In 2015 the son is eligible to receive a set of entitlements but as he has no 'value' to carry forward, they will have an Initial Unit Value of zero and will then be converged upwards.

Note that if the son qualifies as a 'young farmer' or as a 'new entrant' he would be eligible to apply to the National Reserve for an allocation of entitlements.

Q. 8 *I received a payment under the Beef Technology Adaption Programme in 2013. Does this payment entitle me to hold an allocation right for the new scheme?*

A.8 No. The Beef Technology Adaption Programme (and the BVD Scheme) are not funded by the EU and therefore are not 'direct payments'. Receipt of payments under these schemes does not entitle a person to receive an 'allocation right'. The only schemes which are considered as direct payments are the Single Payment Scheme, the Burren Farming for Conservation Programme, the Grassland Sheep Scheme and the Beef Data Programme.

Q. 9 *I have been farming for many years and received my Single Payment in 2013. I would like to lease part of my farm along with entitlements to a young farmer in 2014 for a four year period. What will happen at the end of the lease?*

A. 9 As you intend to continue farming in 2015 and after, you can enter into a Private Contract Clause with the young farmer whereby you will lease out the land together with the corresponding entitlements that will be established in 2015 for the three year period. The entitlements will be established in your account in 2015 based on your reference points and will then be transferred to the young farmer. At the end of the lease, the entitlements revert back to your account.

Q. 10 *In 2013 I received no payment as a result of a 100% Cross Compliance Penalty. As I did not receive a payment does this mean I will not qualify for allocation of entitlements in 2015?*

A.10 While you did not receive a payment in 2013, you were nonetheless eligible to receive a direct payment under normal circumstances. The penalty therefore will not impact on your allocation right and you will be eligible to receive new entitlements in 2015. The same applies for all penalties.

Q. 11 *I received a Grassland Sheep payment in 2013. Does this disqualify me from qualifying as a Scottish Derogation farmer in 2015?*

A.11 As you received a Grassland Sheep payment in 2013, you have received a direct payment for that year and consequently have an automatic allocation right. The issue of the Scottish derogation is not relevant to you.

Transfer of Holdings and Entitlements

Q. 12 *I was paid in 2013 but I hold some surplus entitlements under the Single Payment Scheme for which I have not had sufficient land to draw down payment. Should I sell these entitlements in 2014?*

A.12 No, there is no need for you to sell these entitlements. The calculation of your 2015 entitlement value will be based on the total value of the entitlements you own in 2014. It does not matter whether you draw down payment on all of these entitlements in 2014. All of your entitlements, whether used or unused, will be taken into account for your calculation. If you sell entitlements in 2014, you will reduce the value that will be carried forward to 2015.

Q. 13 *I received a 2013 payment and therefore have an allocation right. I intend transferring my herd-number and my entitlements to my son in 2014 by way of gift. He does not hold any land of his own and was not farming in 2013. I will lease the land to him. Will he be able to claim entitlements in 2015 under the new scheme?*

A. 13 No. As your son did not receive a direct payment in 2013, he does not hold an allocation right. The allocation right transfers with the **land** and as you retain ownership of the land, you retain the allocation right. The value of entitlements which you transfer to your son in 2014 will not carry forward to 2015 but would simply expire.

There are several options for arranging a transfer from father to son.

- a) Administrative Transfer: A very simple option would be to add your son's name to the herd-number in 2014 or 2015. Such a change of name on the herd-number would have no impact on the number and value of entitlements to be allocated for the holding in 2015. Once the entitlements are established in 2015 the father could complete the transfer in 2016 by removing his name from the herd-number. Such an Administrative Transfer does not require the transfer of land from father to son. (The transfer of the herd-number from the father to the son does not constitute an Administrative Transfer).
- b) Private Contract Clause: Where the father intends leasing or selling a part of his holding to his son in 2014 or 2015, the father may enter into a Private Contract Clause with the son whereby he leases/sells some of his land to the son along with the corresponding entitlements that will be established on that land. However the father must remain an 'active farmer' as defined in the Regulation and must establish entitlements in his own right in 2015. The son must meet the definition of 'active farmer' in 2015. In this scenario the father would need to retain his own herd-number while the son would have to apply for the allocation of a new herd-number. Note that a PCC by way of sale only relates to the sale of land that takes place after 15 May 2014. (PCC applies solely to the sale or lease of land. It does not apply to the gift of land).
- c) Transfer of Entire Holding (or part of) by Gift: If you transfer your entire holding including the land to your son by way of gift, your son will simply 'step into your shoes' and will benefit from the reference points (allocation right, land references and value) which you have established.

Young Farmers Scheme

Q. 14 *I will complete my FETAC Level 6 qualification in agriculture in 2014 and will be aged 40 in January 2015. Will I qualify as a 'young farmer'?*

A. 14 Presuming that you are establishing an agricultural holding in your own name for the first time, or have done so within the last five years, you will qualify as a 'young farmer'. A person must be aged 40 or less for the entirety of the scheme year in which they make their application. For example a person who turns 41 at any time during 2015 would not be eligible to be considered as a 'young farmer'.

Stepping into the Shoes of Another Farmer: Inheritance, Gift, etc.

Q.15 *I inherited land from my late father before 15 May 2014. He had received a 2013 direct payment. As per his Will, the entitlements were left to another member of the family who wishes to use them. What is my position regarding the establishment of entitlements under the new Scheme?*

A.15 As the allocation right transfers with the holding (land), you have a right to establish entitlements on the land which you have received. However as the entitlements were transferred elsewhere, you do not hold a 'value' to carry forward to 2015. Under these circumstances entitlements will be allocated to you in 2015 but they will have an Initial Unit Value of zero. This value will be converged upwards starting immediately in 2015 and by 2019 they will have a value of 60% of the Basic Payment Scheme national average entitlement value. Alternatively you could purchase entitlements in 2014 and the value of such purchased entitlements would carry forward to the calculation of your Initial Unit Value in 2015.

If you qualify as a 'young farmer' or as a 'new entrant' you can apply to the National Reserve for an allocation of entitlements.

Q. 16 *I inherited entitlements from my late father before 15 May 2014. As per his Will, the land was left to another member of the family who intends to farm it. What is my position regarding the establishment of entitlements under the new Scheme?*

A. 16 While the entitlements were transferred to you, the allocation right accompanies the land and consequently you do not hold an allocation right and cannot establish entitlements in 2015. The value which you hold is of no use to you as you are not in a position to draw down payment in 2014 (without land) and you cannot carry forward the value to 2015. The entitlements which you own will expire at the end of 2014 unless you transfer them permanently by sale or gift before 15 May 2014 to a person who holds an allocation right. The purchaser could then carry forward their value to the new scheme.

Q. 17 *A farmer receives a direct payment in 2013 but subsequently dies. The beneficiary of the Will waives his rights in favour of a third party. Do all rights transfer from the deceased to the third party?*

A17 Yes. If the beneficiary of the will waives his rights to the entire holding (including land) and to the entitlements, the third party is considered as the beneficiary and therefore all the rights held by the deceased transfer to the third party.

Payments

Q. 18 *When will the cap of €700 per hectare be applied?*

A. 18 The cap of €700 per hectare will only take effect in the 2019 scheme year. For the first four years of the scheme, farmers who hold an Initial Unit Value that is above the Basic Payment Scheme national average will be converged downwards over the five years of the scheme. However if by 2019 they still receive a payment per hectare (including greening) which is greater than €700, they will be further adjusted

downwards so that their payment per hectare is not greater than €700. The test for this 'maximum value' therefore is not applied gradually over the five years of the scheme but only as a once-off adjustment in 2019.

Q. 19 *When will the cap of €150,000 be applied and to what does it relate?*

A. 19 The maximum payment that will be granted to any one farmer under the Basic Payment Scheme (excluding greening) in any one scheme year is capped at €150,000.00 and applies from the first year of the scheme in 2015. This cap on payment relates only to the payment received under the Basic Payment Scheme. A farmer's total payment (Basic Payment and Greening) could be over €150,000 and he would suffer no reduction. This cap has no impact on the amount of payment a farmer will receive under greening, e.g. a farmer with entitlements with a value of €200,000. The greening payment is based on the €200,000 value he holds and not on the €150,000 that he will receive under the Basic Payment Scheme.

Q. 20 *When will I know the value of my entitlements under the Basic Payment Scheme?*

A. 20 The calculation of the value of entitlements under the Basic Payment Scheme cannot be undertaken until all land is declared and accepted as eligible in 2015. The number of eligible hectares in 2015 is used to calculate the 'Basic Payment Scheme national average entitlement value' around which the entire process of convergence is based. It is intended that a provisional statement of value will issue in 2015 and that a definitive statement of value will issue before April 2016.

Q. 21 *How will my Greening payment be calculated?*

A. 21 The payment will be calculated as a fixed percentage of the value of the entitlements activated by the farmer under the Basic Payment Scheme each year. The same percentage will be applied to all farmers.

Q. 22 *I am not a tillage farmer. Will I still qualify for the Greening payment?*

A. 22 Yes. All farmers are subject to the greening provisions and will therefore receive the greening payment.

Q. 23 *Can the Greening Payment be transferred by way of sale, lease, etc*

A. 23 No. Only Basic Payment Scheme entitlements may be transferred. The annual Greening payment is based on a fixed percentage of the value of entitlements activated by the farmer in any given year.

Q. 24 *I have some entitlements that were unused for the first time in 2013 and these same entitlements will be unused in 2014. Will I lose this value or will it carry forward to the new Scheme in 2015?*

A.24 Assuming that the entitlements in question were used in 2012, your calculation will be based on the entitlements owned by you on the 15 May 2014 and therefore you will not lose the value of the unused entitlements.

Lo-Call Numbers

Most questions regarding Direct Payments in 2015 are answered in this document. If you have a specific issue relating to any of the following for which you require clarification, please contact the relevant lo-call number below.

2015 CAP Information Centre (Direct Payments)	0761 064438 Or by email at; CAPdirectpayments@agriculture.gov.ie
<p>To assist us in providing an accurate and timely response, please have the following details to hand when contacting the CAP Information Centre;</p> <ol style="list-style-type: none"> 1. Herd-number of the farmer 2. Was a the farmer eligible to receive a 2013 Single Payment and/or Grassland Sheep Scheme payment and/or Burren Life payment and/or Beef Data Programme payment? 3. How many entitlements does the farmer currently hold under the Single Payment Scheme? 4. Does the farmer have any entitlements leased in or out? 5. How many eligible hectares did the farmer declare in 2013 and how many does he expect to declare in 2015? 6. Does the farmer have any land leased in or out? 7. If the farmer has received land by way of inheritance or gift after the 15 May 2013, was the original farmer of the land eligible to receive a direct payment in 2013? 	
Greening	0761 064424
Transfer of Entitlements (under Single Payment Scheme)	1890 200560
Inheritance Enquiry Unit	1890 252238



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