

To: **Organisations on the attached list**

7 September 2007

## **REFORM OF THE EU FRUIT AND VEGETABLE REGIME AND DEER FARMING: CHANGES TO THE SINGLE FARM PAYMENT SCHEME**

### **Purpose**

1. The purpose of this consultation exercise is to seek the views of stakeholders on changes to the Single Farm Payment Scheme (SFPS). These changes are being considered because of:

- reforms to the EU common market organisation for fruit and vegetables (which have included seed and ware potatoes and nurseries);
- concern, coming particularly from deer farmers, that they are unfairly treated under a historic-based SFPS.

### **Background**

#### The Single Farm Payment Scheme

2. The Single Farm Payment Scheme (SFPS) was introduced in Scotland on 1 January 2005. It replaced the following existing production-based support schemes:

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

3. In Scotland, the SFPS is based on historic claims. Producers eligible to claim single farm payments were given entitlements relating to the eligible area that they farmed during the reference period (2000-2002). The value of each entitlement was established by dividing the reference amount (based on claims during the reference period) by the reference area. In addition, set-aside entitlements were given for set-aside land.

4. The present arrangements are programmed to run until 31 December 2012. There is a commitment to reassess the future shape of the Common Agricultural Policy for the next programming period (2013-2020) onwards and this may lead to significant changes in support measures.

5. Payment under the SFPS is conditional on meeting cross-compliance conditions. This means that producers must comply with the Statutory Management Requirements (SMRs) in force for public health, animal and plant health, environmental protection and animal welfare. They must also maintain their land in Good Agricultural and Environmental Condition (GAEC). We expect that many fruit and vegetable enterprises, and deer farmers, will also be involved in some level of agricultural activity that gave rise to entitlements and will therefore already be subject to cross-compliance measures.

6. The rules for the operation of the Single Farm Payment Scheme are laid down in Council Regulation (EC) 1782/2003 and Commission Regulations 2237/2003, 795/2004 and 796/2004 (all as amended). Further information/guidance on SFPS (including information on the "national reserve" and "parish averages") is available at:

<http://www.scotland.gov.uk/Topics/Agriculture/grants/Schemes/SFPS/Introduction>

#### Reform of the common market organisation in fruit and vegetables

7. A consultation paper on Reform of the EU Fruit and Vegetable Regime was published by the Scottish Executive on 30 April 2007 and can be found at:

<http://www.scotland.gov.uk/Publications/2007/05/EUFruitandVegregime>.

A summary of responses to the consultation paper can be found at:

<http://www.scotland.gov.uk/Publications/2007/08/summaryofresponses>.

8. In June 2007, European Union Agriculture Ministers reached unanimous political agreement on reforms to the common market organisation for fruit and vegetables to bring this sector into closer line with the rest of the reformed Common Agricultural Policy. The reforms aim to improve the competitiveness and market orientation of the fruit and vegetables sector, reduce income fluctuations resulting from crises, promote consumption and thus contribute to improved public health, and enhance environmental protection.

9. As a result of the reforms land used to grow fruit and vegetables, ware potatoes and nurseries<sup>1</sup>:

- will be eligible to support SFPS claims. At present, land used for these purposes cannot be used to support SFPS claims: this is sometimes known as the “negative list”;
- will be eligible for SFPS entitlements. Member States are permitted to adopt regional solutions and establish reference amounts based on an appropriate representative period and calculate entitlement values based on objective criteria.

There will be a transition period, until 31 December 2010, during which there is flexibility about introducing these measures; proposals must however be notified to the European Commission by 1 November 2007. Within the United Kingdom, Scotland and other countries can implement these changes in ways that meet their own circumstances provided that decisions in relation to SFPS entitlements can be objectively justified.

10. There are other aspects of the reforms to the common market organisation for fruit and vegetables, that are not considered in this consultation paper. These include measures to encourage more growers to join Producer Organisations (POs); to offer POs a wider range of tools for crisis management; to require a minimum level of spending on environmental measures; to increase EU funding of organic production and promotional measures; and to abolish export subsidies for fruit and vegetables.

#### Deer farmers

11. Deer farmers are concerned that they are unfairly treated under Scotland's historically-based SFPS. Deer farming was not eligible for support under any of the schemes listed in paragraph 2 above, and so does not receive single farm payments. However, these deer farmers are faced with potential competition from recipients of single farm payments who have diversified into deer farming in Scotland and with English deer farmers who receive area-based single farm payments. Following discussions with European Commission officials, it has been established that it would be possible to use Article 42(5) of EC Regulation 1782/2003 to give Scottish deer farmers SFPS entitlements and to establish reference amounts in order to address this problem, provided that this meets the requirements of the Article<sup>2</sup>. Funding for any entitlements under Article 42(5) would need to come from the Scottish share of the national reserve. It should be noted that deer farming is not the only previously unsupported sector, and that similar arguments could apply to other such sectors. It should also be noted that the funding for these entitlements would be different from the funding for fruit, vegetable, potato and nursery growers.

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<sup>1</sup> "Fruit and vegetables" means the products listed in Article 1(2) of Regulation (EC) No 2200/96 and in Article 1(2) of Regulation (EC) No 2201/96 and "ware potatoes" means potatoes of CN code 0701 other than those intended for the manufacture of potato starch for which aid is granted. CN code 0701 includes seed potatoes. The precise definition of "nurseries" will not be known until detailed EU implementing rules have been agreed (expected to be this autumn).

<sup>2</sup> Article 42(5) of Regulation 1782/2003 states that "Member States may use the national reserve for the purpose of establishing, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions, reference amounts for farmers in areas subject to restructuring and/or development programs relating to one or the other form of public intervention in order to avoid abandoning of land and/or in order to compensate specific disadvantages for farmers in those areas".

## Consultation issues

### Fruit, vegetable, potato and nursery growers: removal from negative list

12. The new regulation allows some flexibility over the date for removing fruit and vegetables, ware potatoes and nurseries from the negative list, thus allowing this land to become eligible to support SFPS claims, provided that this is achieved by 31 December 2010. This measure will allow fruit, vegetable, potato and nursery growers to claim any existing entitlements held against land used to grow previously ineligible crops. They would also be able to claim entitlements acquired by other means (purchase, lease, inheritance).

**13. Views of consultees are sought on the proposal that fruit and vegetables should be removed from the negative list with effect from 15 May 2008.**

### Fruit, vegetable, potato and nursery growers: entitlements and reference amounts

14. Reference amounts and eligible hectares under the SFPS may be established on the basis of a representative period. The reference amount must be calculated and adjusted on the basis of objective and non-discriminatory criteria. Thus, decisions need to be taken on:

- **the basis for calculating reference amounts.** Options include (i) establishing a zero reference amount, justified on the grounds that there was no market support in 2000-02; (ii) establishing a £246.86/hectare reference amount, justified on the grounds that this is based on a suitable comparator - namely the cereals rate under the Arable Area Payments (AAP) Scheme, and so offers a proxy historic rate for fruit and vegetables etc; or (iii) basing reference amounts on relevant parish averages, justified on the grounds that this reflects local circumstances and was the basis for calculating entitlements for new entrants funded from the national reserve;
- **the representative period for establishing eligible hectares as a basis for giving entitlements.** The European Commission has allowed Member States discretion to fix a period between 1 January 2002 and 31 December 2007. Options could include (i) applying the same length of period and proximity to the start of the arrangements for Fruit and Vegetable growers as was applied to producers involved from the start of the Single Farm Payment Scheme, namely 2003 to 2005; or (ii) using a single year, such as 2007;
- **whether all products should get the same treatment.** Different sectors could be treated in different ways. For example, if there was objective justification, the potato sector might be treated differently from the fruit and vegetable sector;
- **the timing of introducing this measure, at some time before 31 December 2010.** For administrative reasons, it would be difficult to introduce this before 15 May 2009.

15. Member States must continue to operate within national ceilings for SFPS. No additional amounts have been allocated to the UK, as UK fruit and vegetable growers did not previously have recourse to processing aids. While the new EU regulations make it possible to use amounts that have not been allocated and therefore in effect remain in the national reserve for funding new fruit and vegetable entitlements, this is unlikely to be adequate for countries in the United Kingdom. Accordingly, it should be assumed that any additional payments to growers of fruit and vegetables, ware potatoes and nurseries arising from this reform package will need to be funded by scaling back SFPS entitlements, with a

consequent reduction in the value of the payment per entitlement for each entitlement holder in Scotland.

16. The table below shows the implications of allocating new entitlements to growers of fruit and vegetables, etc with a reference amount of £246.86/hectare or based on parish per hectare, both with potatoes included and potatoes excluded. It shows that the impact on existing SFPS recipients across Scotland would be a reduction of 2.28% (if potatoes included) and 0.73% (if potatoes excluded) of setting a reference amount at the AAP level; and a reduction of 2.06% (if potatoes included) and 0.65% (if potatoes excluded) of setting a reference amount at parish average level. (Figures are indicative only and the actual reduction would depend on uptake and a number of other factors such as hardship applications, etc.) If the reference amount were zero, no payments would be made and there would be no impact on other producers. It should be noted that any reduction would have to be applied to all entitlements, including any allocated to fruit, vegetable, potato and nursery producers.

	2007-13 Average, Based on average Arable Area Payment		2007-13 Average, Based on Parish Per Hectare SFPS Entitlement	
	With Potatoes	Without Potatoes	With Potatoes	Without Potatoes
Scotland SFPS Baseline 2006-13 (€)	651,956,018	651,956,018	651,956,018	651,956,018
Scotland SFPS Baseline 2006-13 (£)	446,545,218	446,545,218	446,545,218	446,545,218
Cost of Fruit and Veg SFP Entitlements (£)	10,200,274	3,250,872	9,186,636	2,915,142
New Entitlements as % of Baseline	2.28%	0.73%	2.06%	0.65%
Additional Eligible Area (ha)	41,320	13,169	41,320	13,169

17. **Views of consultees are sought on:**

- **the objective criteria for calculating reference amounts. Should they be based on (i) historic amounts (ie zero), (ii) the cereals rate under the Arable Area Payments Scheme (ie £246.86/hectare), or (iii) relevant parish averages;**
- **the representative period for establishing eligible hectares as a basis for giving entitlements;**
- **whether all products should get the same treatment and, if not, what is the objective justification for different treatment?**
- **the timing of introducing this measure.**

Deer farmers

18. According to the June 2006 Agricultural and Horticultural Census data, there are 81 holdings that have deer on them, with an associated area of over 45,808 hectares. In 2005, 57 businesses with deer made SFPS claims and in 2006, 51 businesses with deer made SFPS claims; total areas were 61,965 hectares and 48,433 hectares respectively, but it is not known what areas were specifically associated with the deer enterprise. If a case were successfully made for giving entitlements to deer farmers, consideration would need to be given to the basis for calculating reference amounts. Using parish averages is one option; however, since any such entitlements would be allocated from the national reserve on the basis of Article 42(5) of Regulation 1782/2003, the level of such funding could be no higher than any surplus available in the national reserve. At present the national reserve is

fully committed to compulsory categories of award; there is a possibility that surplus funds may arise in future years, although there can be no certainty about this.

**19. Views of consultees are sought on the proposal that, if in future there are surplus funds attributable to Scotland in the national reserve, they should be used to extend SFPS to deer farming, and/or other previously unsupported sectors; and on the objective criteria that should be used to support such a measure.**

## ORGANISATIONS CONSULTED

Agricultural Industries Confederation (AIC)  
Association – Scottish Council

British Potato Council

British Potato Trade Association

Convention of Scottish Local Authorities

Federation of Small Businesses –  
Scottish Office

Highlands & Islands Enterprise

Home Grown Cereals Authority

Horticultural Development Council

Horticultural Trades Association

Scottish Members of the European  
Parliament

Moreduin Research Institute

National Farmers' Union Scotland

Organic Farmers Scotland

Pre-basic Growers' Association

Quality Meat Scotland

Royal Society for the Protection of Birds

Royal Society of Edinburgh

Scottish Agricultural College

Scottish Agricultural Organisation Society

Scottish Agronomy

Scottish Association of Meat Wholesalers

Scottish Crofting Foundation

Scottish Crop Research Institute

Scottish Enterprise

Scottish National Heritage

Scottish Nuclear Stock Association

Scottish Organic Producers Association

Scottish Quality Cereals

Scottish Rural Property and Business  
Association

Scottish Seed Trade Association

Soil Association Scotland

The British Deer Farmers' Association

## THE SCOTTISH GOVERNMENT CONSULTATION PROCESS

Consultation is an essential and important aspect of Scottish Government working methods. Given the wide-ranging areas of work of the Scottish Government, there are many varied types of consultation. However, in general, Scottish Government consultation exercises aim to provide opportunities for all those who wish to express their opinions on a proposed area of work to do so in ways which will inform and enhance that work.

The Scottish Government encourages consultation that is thorough, effective and appropriate to the issue under consideration and the nature of the target audience. Consultation exercises take account of a wide range of factors, and no two exercises are likely to be the same.

Typically Scottish Government consultations involve a written paper inviting answers to specific questions or more general views about the material presented. Written papers are distributed to organisations and individuals with an interest in the issue, and they are also placed on the Scottish Government website enabling a wider audience to access the paper and submit their responses. Consultation exercises may also involve seeking views in a number of different ways, such as through public meetings, focus groups or questionnaire exercises. Copies of all the written responses received to a consultation exercise (except those where the individual or organisation requested confidentiality) are placed in the Scottish Government library at Saughton House, Edinburgh (K Spur, Saughton House, Broomhouse Drive, Edinburgh, EH11 3XD, telephone 0131 244 4565).

All Scottish Government consultation papers and related publications (eg analysis of response reports) can be accessed at Scottish Government consultations (<http://www.scotland.gov.uk/consultations>)

The views and suggestions detailed in consultation responses are analysed and used as part of the decision-making process, along with a range of other available information and evidence. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented.

Final decisions on the issues under consideration will also take account of a range of other factors, including other available information and research evidence.

**While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.**

# CONSULTATION ON THE REFORM OF THE EU FRUIT AND VEGETABLE REGIME AND DEER FARMING: PROPOSED CHANGES TO THE SINGLE FARM PAYMENT SCHEME

## Responding to this consultation paper

We are inviting written responses to this consultation paper by 12 October 2007. Please send your response to: [caroline.boyd@scotland.gsi.gov.uk](mailto:caroline.boyd@scotland.gsi.gov.uk), or if writing:

Caroline Boyd  
The Scottish Government  
Rural Directorate  
Crops, Plant Health and Pesticides Policy Unit  
1-B  
Pentland House  
47 Robb's Loan  
EDINBURGH  
EH14 1TY

If you have any queries contact **Caroline Boyd** on 0131 244 6339.

We would be grateful if you could clearly indicate in your response which questions or parts of the consultation paper you are responding to as this will aid our analysis of the responses received.

This consultation, and all other Scottish Government consultation exercises, can be viewed online on the consultation web pages of the Scottish Government website at <http://www.scotland.gov.uk/consultations>. You can telephone Freephone 0800 77 1234 to find out where your nearest public internet access point is.

The Scottish Government now has an e-mail alert system for consultations (seConsult at <http://www.scotland.gov.uk/Consultations/seConsult>). This system allows stakeholder individuals and organisations to register and receive a weekly email containing details of all new consultations (including web links). seConsult complements, but in no way replaces Scottish Government distribution lists, and is designed to allow stakeholders to keep up to date with all Scottish Government consultation activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register.

## Handling your response

We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the **Respondent Information Form** as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

## **Next steps in the process**

Where respondents have given permission for their response to be made public (see the attached Respondent Information Form), these will be made available to the public in the Scottish Government Library by 12 November 2007. We will check all responses where agreement to publish has been given for any potentially defamatory material before logging them in the library or placing them on the website. You can make arrangements to view responses by contacting the Scottish Government Library on 0131 244 4552. Responses can be copied and sent to you, but a charge may be made for this service.

## **What happens next?**

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us determine what changes should be made to the Single Farm Payment Scheme as a result of the Reform of the EU Fruit and Vegetable Regime and representations received about the eligibility of deer farming.

## **Comments and complaints**

If you have any comments about how this consultation exercise has been conducted, please send them to:

Name: Caroline Boyd  
Address: The Scottish Government, Rural Directorate, Crops, Plant Health and Pesticides Policy Unit, 1-B, Pentland House, 47 Robb's Loan, EDINBURGH, EH14 1TY  
E-mail: [caroline.boyd@scotland.gsi.gov.uk](mailto:caroline.boyd@scotland.gsi.gov.uk)

## RESPONDENT INFORMATION FORM

### CONSULTATION ON THE REFORM OF THE EU FRUIT AND VEGETABLE REGIME AND DEER FARMING: PROPOSED CHANGES TO THE SINGLE FARM PAYMENT SCHEME

Please complete the details below and return it with your response. This will help ensure we handle your response appropriately. Thank you for your help.

Name:

Postal Address:

1. Are you responding: (please tick one box)
  - (a) as an individual go to Q2a/b and then Q4
  - (b) **on behalf of** a group/organisation go to Q3 and then Q4

#### INDIVIDUALS

- 2a. Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government website)?

Yes (go to 2b below)

No, not at all We will treat your response as confidential

- 2b. **Where confidentiality is not requested**, we will make your response available to the public on the following basis (**please tick one** of the following boxes)

Yes, make my response, name and address all available

Yes, make my response available, but not my name or address

Yes, make my response and name available, but not my address

#### ON BEHALF OF GROUPS OR ORGANISATIONS

- 3 The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government website). Are you also content for your **response** to be made available?

Yes

No We will treat your response as confidential

#### SHARING RESPONSES/FUTURE ENGAGEMENT

- 4 We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for the Scottish Government to contact you again in the future in relation to this consultation response?

Yes

No