

Petitions Briefing

Research Briefing:

Petition number: P-04-685

Petition title: Basic Payment Scheme in Wales

Text of petition: We call on the National Assembly for Wales to urge the Welsh Government to reconsider its decision to implement a flat-rate model for payment of the Basic Payment Scheme (BPS) subsidy to Welsh Farmers. The BPS is a European Union grant designed to help the farming industry. Farmers can apply for the grant once a year – normally in May – and payments begin in December. In July 2015, the Welsh Government made the decision to move to a flat-rate payment per hectare for all Welsh farmers under the BPS. As a result of this decision, it is estimated that 1,323 farms will lose more than €2,500, many of which will see their payments reducing by around 40–60% over a five year period. Lost payments will amount to up to €100,000 per farm, per year from now until 2019. The flat-rate payment model for all Welsh farmers will lead to unemployment and business failure. It will also have damaging effects on the environment and the quality and quantity of Welsh food production, owing to the fact that productive farms will be worst affected. There are substantial differences in the productivity of farmland in Wales. Therefore, regional application of the BPS is imperative. The decision will also disadvantage productive farmers in Wales against equivalent farmers in other countries, with English farmers, for example, receiving BPS payments on a regional basis. It is clearly in the best interests of the farming and wider Welsh community to ensure that there is a fairer payment scheme in place.

Background

Summary

The Basic Payment Scheme is the name of the scheme used to issue direct income support payments to farmers under Pillar 1 of the Common Agricultural Policy. Whilst the scheme is

governed by EU regulations. Member States and in Wales case EU regions are given some discretion to decide how these payments will be distributed.

In Wales eligible farmers submit an application on an annual basis for the payment. Payments are then distributed according to a number of factors.

The rules governing the issuing of payments

All governments are required to follow some [basic EU-wide rules](#) when designing their payment systems for issuing payments to farmers. Under the current round of the CAP (2014–2020) countries who previously used what is known as a ‘historic method’ for allocating farm payments are required to move towards what is known as an ‘area based’ method.

Under the historic method the amount of direct payment a farmer receives is dependent upon the amount a farmer produced during a reference period (approx. 2000–2002). An area based system distributes direct payments to farmers according to the amount of land they farm regardless of how much was historically produced on this land.

Whilst governments are required to move towards distributing payments on an area basis by 2019, the rules provide flexibility on how and by when governments choose to do so. Member States and Regions can choose to:

- Move fully to area based payments in 2015;
- Complete the transition to area based payments fully by 2019;
- Move partially to area based payments in 2019 as long as minimum criteria are met;
- Establish one payment region for their whole territory; or
- Establish different payment regions so long as these are based on objective and non-discriminatory criteria.

Regardless of the system chosen the move from historic to area based payments will cause changes to the amounts different farmers receive.

Welsh Government Action

The Welsh Government’s Initial Decision

Following a series of consultations the [Welsh Government initially opted](#) to complete the transition to area based payments by 2019 and to use the option to pay different amounts for different regions in Wales. These three regions were:

- Moorland– with an estimated payment of €20 per hectare;
- Other Severely Disadvantage Land– with an estimated payment of €200 per hectare;
- All other land (disadvantage land and lowland)– with an estimated payment of €240 per hectare.

Moorland was defined as land classified as Moorland on the 1992 Wales Moorland Map with an altitude of 400 metres or higher and with Moorland vegetation present.

The Legal Challenge

In December 2014 the [Welsh Government announced](#) that it would be withdrawing its first proposals for a regional payment system as a result of a legal challenge. The legal challenge was brought by a group of farmers, 'Fairness for the Uplands' who disputed the fairness of the proposed Moorland category. It was found that as some land below the 400 metre line would have the same characteristics as land above the 400 metre line but receive a different payment level the Moorland category was not based on objective and non-discriminatory criteria as required by the EU rules. The Welsh Government therefore agreed to the making of a Consent Order by the Court quashing the regulations they had used to bring in the regional payment model.

The current payment system

Following the legal challenge the Welsh Government [issued a new consultation](#) on possible options in March 2015. The consultation took into account the outcomes of the judicial review. These options included:

- Keeping a regional payment model but based on different criteria;
- Moving to a flat rate, where all farmers in Wales are paid a single rate regardless of where they farm, immediately in 2015;
- Moving to a flat rate but in equal steps between 2015 and 2019;
- Moving part way to a flat rate by 2019 (known as 'tunnelling'); and
- Using one of the above options but with a few 'add-on' options to mitigate some of the biggest gains and losses for individual farmers.

Although the possible use of a new regional payment model was included in the consultation document, the Welsh Government stated that successful legal challenge to their first proposal showed that their current mapping information on land types in Wales was not going to be sufficiently detailed to ensure any future proposals for regions could not be challenged in the same way. The Welsh Government outlined that a re-mapping exercise for the whole of Wales would need to take place. In a [letter to Assembly Members](#) on the possibility of a re-mapping exercise on 16 June 2015 the then Deputy Minister for Farming and Food stated that this level of mapping could potentially cost 'tens of millions of pounds and several years' and did not therefore believe it was an option for this round of the CAP.

The [Welsh Government announced](#) the outcome of this second consultation in July 2015. It has chosen a payment model where all farmers are paid a 'flat rate' but where the move towards this is made in equal steps up to 2019. In addition, the Welsh Government has chosen one of the 'add-on' options to try and mitigate some of the re-distributive impacts

this change will have. This ‘add-on’ is the option to use what is known as a ‘re-distributive payment’ where farmers receive an additional payment on the first 54 hectares of their land. The Welsh Government has stated that using this add-on option reduces the amount of financial disruption caused as compared to moving to a flat rate option alone by 2019.

In its consultation the Welsh Government included tables forecasting the changes in annual payments that farmers would receive under the different options. Table 4 in the document showed the changes to farm payments of the Welsh Government’s preferred option.

Forecast changes in the annual payments for claimants under the Redistributive Payments option

Annual Change €	Number of claimants
Loss of at least 2,500	1,323
Loss of 2,000 to 2,500	324
Loss of 1,500 to 2,000	453
Loss of 1,000 to 1,500	625
Loss of 500 to 1,000	860
Loss of under 500	1,878
Gain of under 500	5,051
Gain of 500 to 1,000	2,560
Gain of 1,000 to 1,500	1,383
Gain of 1,500 to 2,000	807
Gain of 2,000 to 2,500	374
Gain of at least 2,500	712
Total	16,350

Source: Welsh Government, March 2015

Other models in the UK

Different payment systems have been [chosen by the UK Government and other devolved administrations](#) to reflect the different farm businesses, land types and payment history in the different countries. Farmers in England have been paid on an area basis since 2012. There are three payment regions in England: lowland; land in Severely Disadvantaged Areas not Moorland; and Severely Disadvantaged Moorland Areas. Northern Ireland have opted for a seven year transition to area payments with the aim of moving towards area payments by 2021. All farmers in Northern Ireland are paid on a flat rate basis. Scotland will move to area

payments by 2019 in equal steps. Scotland has three payment regions: better quality land; Less Favoured Areas high quality grazing; and Less Favoured Areas low quality grazing.

None of the other payment systems have been subject to a legal challenge.

National Assembly for Wales Action

The Fourth Assembly's Environment and Sustainability Committee established a CAP Task and Finish Group which gave some consideration to the issues of payments and payment systems. The Committee as a whole held an urgent session in February 2015 following the results of the legal challenge and considered the implications with stakeholders at an agriculture round table on 30 April 2015. The issue was also considered during several general scrutiny sessions the Committee held with the then Deputy Minister for Farming and Food including on the [4 March 2015](#) and the [20 May 2015](#).

The former Deputy Minister for Farming and Food made an oral statement in Plenary on the results of the consultation on [7 July 2015](#) in which Assembly Members asked a number of questions to the Deputy Minister. Questions on this issue have been put to the Deputy Minister and First Minister in Plenary.