

## WELCOME:

A Happy New Year to you all from everyone at Promar!

This month we take a considered view of the Basic Payment Scheme. Thankfully the RPA have adopted a more pragmatic view on payments of BPS to most farmers, in 2016. This has come as a welcome boost to cashflows on many dairy farms.

Subsidies still represent a major proportion of total farm incomes. In 2014-15 they made up 49% of dairy farm profits, and this rose to 63% in 2015-16. As milk prices rise, this percentage may come back again but the importance will still be significant.

Completion of the 2017 application forms is just around the corner and for the time being at least, the Brexit debate will not greatly affect the process. It is of great importance that there is a recognition that the scheme rules still apply and that cross compliance regulations are maintained to avoid deductions and disappointment at the end of 2017.

I hope you enjoy reading this issue of Promar Matters and wish you all a prosperous 2017.



James Dunn  
Promar Managing Director

## GET AHEAD WITH BPS 2017



Mark Wheeler  
Senior Consultant

It will soon be time to start your 2017 BPS application. Senior Consultant Mark Wheeler looks at the current position and suggests things to look out for as you make your preparations.

The media is full of speculation about how farm subsidies will change in the post-Brexit era. While the Government was quick to suggest that the total amount of subsidy available when we eventually leave the EU will be the same (although, unsurprisingly there are no promises), George Eustice has indicated there will be significant changes in the way the regime is operated and subsidies decided.

But all this is in the future. We know how the scheme will operate in 2017 and this is where farmers need to focus to ensure they receive all subsidies due and don't incur any penalties.

First, make sure you get what you are due. The RPA started paying 2016 payments on December 1st and were

committed to paying 90% of eligible farmers by the end of December. Earlier this month, they announced they had met this target with over 78,000 farmers in England (91% of eligible claimants) having received a 2016 BPS payment, worth £1.14 billion in total.

This compares very favourably with last year when only 66,800 farmers in England (77%) had been paid their 2015 BPS payment by the end of January 2016.

There are still many cases where unexpected deductions against the 2015 payment are still unresolved. It has been very encouraging to see examples where in spite of some of the 2015 issues remaining unresolved, payment for 2016 has been made.

The emphasis is seemingly being placed on getting 2016 payments out without delay and sorting out 2015 as an ongoing issue.

If you have not done so already, check you have been paid the correct amount for the correct area in 2015 and 2016. For those that thought they were underpaid, balancing amounts may have been calculated and paid by the RPA in recent months.

In 2015, the exchange rate for BPS 2015 is €1 = £0.73129 (c. £181.37/ha). The BPS 2016 exchange rate is €1 = £0.85228, (c. £215.61/ha). Payments over €2000 are reduced by 1.3% to fund the Financial Discipline Mechanism (FDM).



## Looking ahead to 2017

It is important to start planning now so you can get your application in on time:

- Check your maps and claimed area carefully
- Ensure that all land is eligible
- Check you meet any greening rules, both crop diversification and EFA rules
- Make sure you meet cross compliance rules, as any breaches of the rules can quickly incur significant penalties
- Where entitlements might need to be transferred, do so online or through an agent at the earliest convenience

- Check your NVZ designation. Revised designations for 2017 to 2020 came into effect on 31st December. To find out if your land is in an NVZ go to <https://www.gov.uk/guidance/nutrient-management-nitrate-vulnerable-zones>, or call the Environment Agency on 03708 506506

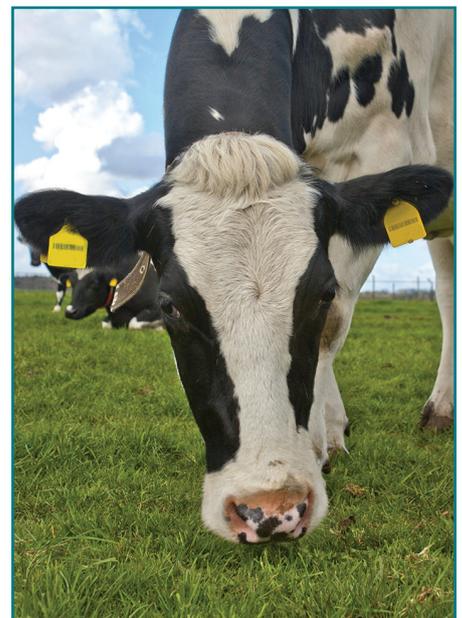
Going forward, more information on the rules and the claim process as well as the claim itself will only be available online. The RPA may provide some guidance over the telephone (03000 200 301). A useful document is 'An update on the Basic Payment Scheme' which can be downloaded from the RPA website (<https://www.gov.uk/government/organisations/rural-payments-agency>.) It explains:

- How you can track your claim online and find out when it's ready to pay
- Why some claims may not be paid in December
- How you can start preparing for BPS 2017

## Don't forget inspections

The RPA is required to carry out cross compliance inspections on a selection of holdings each year under EU regulations which remain in place. Claimants won't always receive advance warning of an inspection and individual businesses can be inspected more than once a year. If the RPA do give warning, it's likely to be less than 48 hours before the inspection.

Looking at some limited statistics reviewed for 2015, over 46% of Cattle ID and registration checks failed for reasons including failure to notify British Cattle Movement Service (BCMS) that an animal has been moved to another holding and missing ear tags. Over 29% of NVZ Regulation checks failed for reasons such as missing or insufficient NVZ documentation and temporary heaps of muck left in the same place for more than 12 months.



And the RPA inspections appear to be getting stricter. In 2011 27% of inspections failed. In 2012 this had risen to 37% and by 2013 had reached 39%.

Regarding penalties, a 3% deduction is common, and 5% is often applied. Breaches are graded by an extent, severity, reoccurrence and permanence viewpoint and are added up. Repeat offences get progressively more expensive and are usually tripled. A second failure can be deemed intentional attracting a far higher deduction, with a significant number of sites which fail one year being re-inspected the subsequent year.

Claimants get an intentional penalty for repeating the same negligent failure. They can also get an intentional penalty for breaking a cross compliance rule only once. For intentional cases, payments can be reduced by 15%-100% depending on the extent and severity.

For as long as the current BPS scheme remains in place, making sure you are claiming the full entitlement and meeting all cross compliance criteria should be core objectives.

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