POLICY NOTE

THE COMMON AGRICULTURAL POLICY SINGLE FARM PAYMENT AND SUPPORT SCHEMES (SCOTLAND) AMENDMENT REGULATIONS 2013

SSI 2013/265

Introduction

1. The above instrument was made in exercise of the powers conferred by section 2(2) of the European Communities Act 1972. The instrument is subject to negative resolution procedure. It was laid before the Scottish Parliament on 12 September 2013 and will come into force on 16 October 2013.

Background

2. This instrument primarily makes provision in Scotland for the implementation of Article 10b of Council Regulation (EC) No. 73/2009 by amendment of the Common Agricultural Policy Single Farm Payment and Support Schemes (Scotland) Amendment Regulations 2011 (SSI 2011/416).

3. This amendment is required to extend the legislative competence of the Scottish Ministers. The 2011 instrument allowed Scottish Ministers to apply modulation up to and including 2012 in the expectation that the new CAP regime would commence in 2013. These new arrangements have been delayed until 2015. Without the amendment, Scottish Ministers would be unable to modulate payments and this would adversely affect the funding available for rural development measures under the Scotland Rural Development Programme.

Policy Objectives and Stakeholder Engagement

4. The reform of the CAP, agreed in June 2003, aimed to improve the competitiveness and sustainability of European agriculture, promote food quality and environmental standards; simplify the system of support to farmers; and strengthen rural development policy. The current system of direct payments commenced in 2005.

5. Following publication of the European Commission's draft legislative proposals, Scottish Ministers undertook a public consultation exercise and the responses to this and other stakeholder engagement via correspondence or in meetings with Ministers and officials, informed the decisions now implemented.

Amending Regulations

6. In summary, the instrument includes provisions that provide the rates of Member State Modulation for 2013 (referred to in the EU Regulations as "Adjustment" for the year 2013).

7. "Modulation" is the deduction applied to direct payments i.e. the Single Farm Payment Scheme, and the Scottish Beef Scheme. The amounts deducted are applied for the relevant purposes meaning as additional support for rural development measures that are defined in the amending Regulations.

8. The deduction takes two forms: European Modulation as covered for 2013 by Article 10a of Council Regulation (EC) 73/2009, and Member State Modulation as covered for 2013 by Article 10b of Council Regulation (EC) 73/2009. Article 1 of Regulation (EU) No 671/2012 inserted Articles 10a and 10b into Council Regulation (EC) 73/2009.

9. The purpose of this SSI is to set the rates of Member State Modulation to be applied in Scotland for 2013. These rates of modulation are effective from the start of the EU financial year, that is 16 October 2013 and the instrument has been organised to come into force from that date.

10. Modulation is a variable rate applied in chronological order of payment and on a cumulative basis. In addition, increases in European Modulation are reflected as decreases in Member State Modulation as illustrated by the following tables:-

10.1 The rates of European Modulation are as follows:

	Amount of Direct Payments		
	€00.01 to €5,000.00	€5,000.01 to €300,000.00	€300,000.01 and above
2013	0%	10.0%	14.0%

10.2 The rates Member State Modulation are as follows:

	Amount of Direct Payments		
	€00.01 to €5,000.00	€5,000.01 to €300,000.00	€300,000.01 and above
2013	9.0%	4.0%	Nil

NB – The increases in European Modulation and decreases in Member State Modulation as shown in the table are the same as the rates of deduction already implemented in 2012. This means that these changes have no financial impact on individual farmers: the overall deduction for modulation under these new arrangements will be the same as provided for under the previous arrangements.

11. The amount of direct payment is calculated cumulatively so, for example, once a producer reaches a total of direct payments of €300,000, any payment, regardless of scheme, thereafter will be reduced by 14% in respect of European Modulation with no reduction in respect of Member State Modulation. At the opposite end of the scale, the first €5,000 of direct payments, regardless of whether one scheme or a combination of schemes, are exempt from European Modulation but are reduced by 9% Member State Modulation.

Note: "…Direct Payment…" is defined in Article 2(d) of Council Regulation (EC) 73/2009 as any payment granted under any of the schemes listed in Annex I of that Regulation.

Financial Effects

12. The Schemes covered by this instrument will enable the Scottish Government to pay around £450 million per annum. Regulatory Impact Assessments for the Single Farm Payment and Support Schemes, etc were undertaken at the time of implementation. These

amendments do not change the financial effect on farmers, therefore a further Business and Regulatory Impact Assessment has not been undertaken.

Scottish Government Rural Payments and Inspections Directorate

10 September 2013