

Department of Agriculture and Food

AGENDA 2000

**Mid Term Review
Agreement.**

An Explanatory Guide

October 2003

Important Note

The EU Council Regulation 1782/2003 which will govern the Agenda 2000 Mid Term Review of the Common Agricultural Policy was published on 21st October 2003 but the European Commission detailed rules regulation governing the agreement has not yet been published. It is not expected that the detailed rules will be finalised until Spring 2004.

The information contained in this guide is the most up to date available at the present time - (October 2003).

This information is being provided as a guide for farmers and should not be regarded as a legal interpretation of the EU Council draft regulation.

Readers are urged to keep in touch with developments by accessing the Department's web site at www.agriculture.gov.ie

Mid Term Review

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FOREWORD

The Commission's proposals for the Mid-Term Review of Agenda 2000 were the subject of negotiation for almost a year. Outline proposals were published in July 2002 and the more detailed proposals were published in January 2003. The proposals comprised the most radical reform of the CAP since its foundation and have been the subject of detailed analysis and intense public debate both here and throughout Europe.

My objectives in the negotiations were to safeguard the benefits to Irish Agriculture and to rural communities achieved under the Agenda 2000 Agreement and to ensure the best possible level of support and protection of our production base into the future. The final outcome agreed in the Council of Ministers in Luxembourg on 26 June 2003 contained substantial modifications to the Commission's original proposals and represented an agreement that was balanced as between the varying interests of the fifteen Member States. It was also a successful outcome from Ireland's point of view. The agreement will reshape the Common Agriculture Policy and secure its future by making it more relevant to modern society and to consumer demands. We have the opportunity now to exploit the new situation to our advantage.

The decoupling of direct payment from production is a fundamental change to the CAP and, not surprisingly, the Commission's proposal for full decoupling was the most contentious issue throughout the negotiations. In the end, the Council agreed to amend the proposal for full decoupling so as to give Member States a number of options which will allow them to implement decoupling in a manner best suited to their requirement. In this context I initiated wide ranging consultations with farming interests and other interested parties on the menu of options available and having considered all views, I have decided that all direct payments for Cattle, Sheep and Arable Crops will be fully decoupled from production as and from 1 January 2005.

I am conscious that individual farmers want to know how the Mid-Term Review agreement will affect them. While the Commission regulation outlining the detailed rules has yet to be published, we are, nevertheless, in a position to outline in broad terms how the agreement will impact on farmers. My Department, in conjunction with Teagasc conducted a series of over 40 farmer information meetings countrywide. This guide updates the booklet supplied to farmers at those meetings and I hope you will find it useful.

Joe Walsh TD
Minister for Agriculture and Food
October 2003.

THE LUXEMBOURG AGREEMENT – SUMMARY	
ARABLE AID	Full decoupling or up to 25% coupled.
BEEF	<p>Suckler Cow Premium (SCP) may be either fully coupled or decoupled at any level up to 100%.</p> <p>If the SCP is fully coupled, up to 40% of the Slaughter Premium may be retained coupled.</p> <p>If Suckler Cow premium is decoupled, Slaughter Premium may be fully coupled, or decoupled at any level up to 100%. Or Up to 75% of the Special Beef Premium may be coupled.</p>
MILK – POST AGENDA 2000 SITUATION	<p>The Extension of Milk Quota Regime until 2014/15 – it was due to end in 2008.</p> <p>Butter Intervention The Commission proposal was an annual ceiling of 30,000 tonnes. Ireland succeeded in having this increased to 70,000 tonnes next year reducing by annual increments of 10,000 tonnes to 30,000 tonnes in 08/09.</p> <p>Intervention Price Support The price support cut is confined to about 4% over and above what was agreed in the Agenda 2000 Reforms. This of course relates only to sales to intervention. Compensation for this additional price cut amounts to 80%.</p>
SHEEP	Full decoupling or 50/50
CEREALS	<p>Intervention price for cereals remains unchanged.</p> <p>Monthly increments reduced by half.</p>
MODULATION	<p>A rate of 3% in 2005 rising to 4% in 2006 and to 5% from 2007.</p> <p>Ireland will receive an estimated 84% of these funds for on-farm rural development measures.</p>
DEGRESSION	<p>A reduction of up to 13% of direct payments rejected. This would have cost Ireland € 56 million in 2012 when fully operational or an estimated €264m over the period 2006-2012.</p>
GENERAL	<p>A Member State may use up to 10% of its direct payments in a particular sector to encourage specific types of farming which are important for the environment to improve quality and marketing.</p> <p>Implementation of decoupling can commence on 1/1/05 but at the latest on 1/1/07.</p>

The Single Payment Scheme under “ Full Decoupling”

- a) All Livestock Premium Schemes and Arable Aid Scheme fully decoupled
(The Single Payment Scheme does not cover Rural Environment Protection Scheme, (REPS), Area Based Compensatory Allowances and Investment Schemes such as Installation Aid, Aid for Farm Waste management etc).
- a) The Single Payment Scheme will come into operation on 1 January 2005

Calculating and Establishing Payment Entitlements

Q1. What is a payment entitlement?

- A1. A payment entitlement is a right to be paid a specific amount of money annually.

Q2. For whom can the Department establish payment entitlements?

- A2. Payment entitlements may be established for any farmer who was paid a premium under any Livestock and/or Arable Aid Premium Scheme in any or all of the years 2000, 2001 or 2002

Q3. Are entitlements attached to land ?

- A3. No. They are attached to the farmer for whom they are established.

Q4. How will entitlements be calculated ?

- A4. The average number of animals, (hectares in the case of Arable Aid), on which payment was made to a farmer under each scheme in the three year period 2000, 2001 and 2002 (The Reference Period) is multiplied by the 2002 rate of payment for each scheme (by €383.04 per hectare in the case of Arable Aid). The sum of those amounts is the gross Single Annual Payment for that farmer.

That Single Annual Payment is divided by the average hectares farmed in the Reference Period to give a number of entitlements with a monetary value for each entitlement.

Q5. Can you give me an example ?

A5. Example :

No of Animals paid on in reference Years

Schemes	2000	2001	2002	Total	Average	2002 Rate	Single Payt.
Special Beef 1 st Age	19	0	0	19	6.33	150	949.50
Special Beef 2 nd Age	7	4	11	22	7.33	150	1099.50
Special Beef Bulls	0	1	0	1	0.33	210	69.30
Suckler Cow	31.1	21.1	31.1	83.3	27.76	224.15	6222.40
Ewe Premium	235	210	200	645	215	21.00	4515.00
Rural World Premium	235	210	200	645	215	7.00	1505.00
Extensification <1.4	57.1	26.1	42.1	125.3	41.76	80	3340.80
Extensification < 1.8						40	
Slaughter premium	17	15	6	38	12.66	80	1012.80
Nat Env Top Ups							
Ewe Premium	-	-	200	200	200	1.26	252.00
Dry Heifer	-	-	5	5	5	Say 77.50	387.50
Calved Heifer	-	2	6	8	4	Say 112.00	448.00
Heifers Slaughtered	8	3	6	17	5.66	Say 25.10	142.06
Total for Livestock Premium Schemes							19,943.86
ARABLE AID	Hectares	Hectares	Hectares	Total	Average	Rate	
Cereals, Linseed, Non-Compulsory Set Aside	20.65	20.65	20.65	61.95	20.65	383.04	7,909.77
Total for Arable Aid	20.65	20.65	20.65	61.95	20.65		7,909.77
Grand Total							27,853.63

The farmer's gross Single Annual Payment is therefore €27,853.63

His eligible farm hectares for the Reference Period were :

Year	2000	2001	2002	Total	Average
Forage hectares	90	110	100	300	100
Arable hectares	20.65	20.65	20.65	61.95	20.65
Total hectares	110.65	130.65	120.65	361.95	120.65

The Single Annual Payment is divided by his average total hectares
 - €27,853.63 ÷ 120.65 = €230.86

He has, therefore, 120.65 entitlements valued at €230.86 each before deductions are applied – see below.

Deductions:

- A possible reduction if the sum of all the individual entitlements exceeds the National Ceiling ;
- A reduction of between 1% and 3%, to create the National Reserve
- A 3% Modulation reduction in 2005, rising by a further 1% in 2006 and by a further 1% from 2007 onwards.

Q6. If a farmer could not apply in one of the reference years because his herd was depopulated, or for some other exceptional circumstance, how will his entitlements be calculated ?

A6. In such cases, the farmer will be entitled to request to have his calculation based on the year or years in the reference period during which no such exceptional circumstances occurred.

Q7. If a farmer could not apply in any of the three reference years because of exceptional circumstances, how will his entitlements be calculated ?

A7. In such a case, the farmer can request that his entitlements be based on the years 1997, 1998 and 1999. See under 'Force Majeure'.

Q8. What is Modulation ?

A8. In the context of the Mid Term Review, Modulation is a process whereby funds are diverted from one sector in order to finance another sector. An estimated 84% of the modulation deductions that will be made from entitlements will remain in Ireland and will be spent on rural development measures such as the promotion of food quality, meeting higher standards and fostering animal welfare. All farmers will be subject to a reduction in respect of Modulation but deductions in respect of the first €5,000 of payment will be refunded subject to the total refunds not exceeding a National Ceiling. It is expected that nearly half of all Irish farmers will not incur a nett reduction.

Q9. So if 3% is taken off for the National Reserve and a further 3% for Modulation, will the value of the entitlements of the farmer in question 5 be reduced by 6% in 2005 ?

A9. Yes. If it is decided that 3% of entitlements should go to the National Reserve and a further 3% for modulation, then, in this case, the nett value of each entitlement in 2005 would be €217.21.

Q10. Will the value of the entitlements be reduced further in 2006 and 2007 ?

A10. Yes. In 2006, the net value would be €215.03 (an additional 1% deduction for modulation).

In 2007 the net value would be €212.87 (a further 1% deduction for modulation).

Q11. What does the farmer have to do to start getting these payments ?

A11. He must first 'activate' those entitlements in 2005 by submitting his 2005 Area Aid/Single Payment application. He must have at least one eligible hectare for each entitlement to obtain full payment.

Q12. What is an eligible hectare ?

A12. An eligible hectare of land is a hectare of arable land (including land under sugar beet) and/or permanent pasture. It does not include permanent crops (such as land under forestry), trees such as fruit trees, potatoes, or land under soft fruit and vegetables. The eligible land must be available to the applicant for a 10 month period beginning on a date to be determined but not earlier than 1 September of the year prior to the year of application.

Q13. Suppose the farmer in answer 5 above sells 30 of his 120.65 hectares in 2004, what will his entitlements be in 2005?

A13. If he has only 90.65 hectares in 2005 he will activate only 90.65 entitlements and will be paid his 2005 Annual Payment on that basis. He may of course activate all 120.65 entitlements if he leases

or buys in 30 hectares for 2005.

Q14. If he does not activate all his entitlements in 2005 can he activate all 120.65 entitlements in 2006 ?

A14. Yes, provided he has 120.65 eligible hectares in 2006.

Q15. Does this mean that if he has only 95 hectares in 2006, he will only receive payment on 95 entitlements ?

A15. Yes

Q16. Will he receive his full Single Payment every year ?

A16. Yes, provided he makes an application for it and maintains 120.65 eligible hectares. He will also be required to satisfy statutory management requirements and keep his farm in good agricultural and environmental condition.

Q17. What are the statutory management requirements ?

A17. In order to receive the Single Payment, the farmer must comply with the EU Regulations in the areas of :

- a) Environment, and identification of animals (from 1st January 2005),
- b) Public, animal and plant health, (from 1st January 2006),
- c) Animal Welfare, (from 1st January 2007).

Q18. When will farmers know what their entitlements are ?

A18. The Department will send out statements to farmers in 2004 showing their provisional entitlement details. Adjustments may have to be made to the provisional amount if the total value of entitlements following appeals exceed the National Ceiling.

Q19. If he wishes to receive payment every year does each farmer have to apply for the Single Payment every year ?

A19. Yes. The application will be combined with the Area Aid application.

Q20. What happens to the entitlements if a farmer does not submit an Area Aid application in 2005 ?

A20. Except in cases of force majeure or exceptional circumstances, the entitlements will be returned immediately to the National Reserve.

Q21. When will the Single Payment be made ?

A21. Payment will be made in full between 1 December of year of application and 30 June of the following year.

Establishing Entitlements

Q22. A farmer bought an additional 80 hectares of land in 2003. Are there entitlements attached to that land ?

A22. The position is that entitlements are not attached to the land. Entitlements are established for a farmer who was the active farmer during the Reference Period. Where a farmer purchased additional land in early 2003, he may be able to obtain additional entitlements from the National Reserve. See under 'National Reserve'.

Q23. A farmer had leased his farm to a neighbour during the entire Reference Period. Does he, the owner, have any entitlements ?

A23. No. The person who farmed the land during the reference period will have entitlements established for him on the basis of having that land in the reference period.

Q24. A farmer buys Suckler Cow Quota in 2003. Will the cost of that quota be factored into his calculation to determine his annual entitlements ?

A24. No.

Q25. Is there any compensation proposed for farmers who have suckler cow quota or ewe quota leased out on a long term basis. For example, farmers in the Early Retirement Scheme ?

A25. No.

Q26. Will farmers have to apply for the Suckler Cow Premium Scheme and Ewe Premium Scheme in order to activate their entitlements. ?

A26. No. All livestock premium schemes and related quotas, including national and individual quotas, will be abolished and replaced with the Single Payment Scheme in 2005.

Q27. Will the farmer have to keep any stock ?

A27. There is no specific requirement to keep stock. However, a farmer must keep his land in good agricultural and environmental condition. In practice, the best way to achieve this objective may be to have some stock on the land. A farmer in receipt of Area Based Compensatory Allowances is required to maintain a minimum stocking density of 0.15 Livestock Units per hectare. Farmers participating in REPS may be required to maintain a stocking density other than 0.15 Livestock Units/ha.

Q28. Can a farmer increase his stock ?

A28. Yes, subject to compliance with good agricultural and environmental conditions.

Q29. A farmer had 30 hectares in 2000. He leased in an additional 20 hectares in 2001 for that year only. He had 30 ha in 2002 and will still have only 30 hectares in 2005. Assume his Special Payment is calculated at €15,000 . What will his entitlements be ?

- A29. His average number of hectares is 36.67 ha $((30 + 50 + 30) \div 3)$
 He has therefore 36.67 entitlements @ €409.05. $(€15,000 \div 36.67)$
 As he has only 30 ha, he can activate only 30 of those entitlements in 2005
 and his Single Annual Payment would be $30 \times €409.05 = €12,271.50$. If he
 acquired, through purchase or lease, an additional 6.67 eligible hectares (or more) in 2005 he would,
 of course, be paid the full amount of €15,000.00 in 2005.
- Q30. In the case above, if the farmer cannot get additional land in 2005, will he lose the 6.67 entitlements (€2,728.37) that he could not activate ?**
- A30. No. These can be activated in 2006 or in 2007 provided he acquires an
 additional 6.67 eligible hectares in those years, but see under Sale and Lease
 of Entitlements.
- Q31. What rate of payment is used to determine entitlements where a farmer was paid at the high rate of Extensification in 2000 and 2001 but at the low rate in 2002 ?**
- A31. Both rates of Extensification will be used as appropriate.
- Q32. A farmer qualified for a National envelope top up under the Suckler Cow Premium Scheme in 2001 and 2002. There was no National Envelope top up in respect of heifers under the 2000 Suckler Cow Premium Scheme. Will his average payments be calculated by dividing by 2 or by 3 ?**
- A32. Since different rates of payment under the National Envelope were applied under the various
 measures the overall amount of money available under this measure for inclusion in the single
 payment scheme will be distributed on an equitable basis amongst the qualifying farmers.
- Q33. A farmer sold his farm of 100 hectares in January 2002 and purchased another farm of 150 hectares. He applied for the 2002 grants on the new farm. How are his entitlements calculated ?**
- A33. In the usual way. Average of his hectares over the three year period 2000, 2001 and 2002,
 irrespective of farm, is used to determine the number of entitlements.
- Q34. A son inherits a farm from his father who died in Jan 2002. The father applied for the schemes in 2000 and 2001. The son applied for the schemes in 2002. What are the son's entitlements and how are they calculated ?**
- A34. In this case, the entitlements will be calculated using all three reference
 years.
- Q35. A farmer inherits (by permanent transfer) a farm from his father in 2003. The father farmed in the period 2000 – 2002 but is now retired (Early Retirement Scheme). Does the son get the benefit of the entitlements established by the father ?**
- A35. Yes. The son's entitlements will be calculated using all three reference years.

Q36. What is inheritance ?

A36. Inheritance occurs when land or property is permanently transferred, usually to a relative, on a non commercial basis.

Q37. A farmer joins the Early Retirement Scheme in 2003 and leases the farm to his son. Does the son get the entitlements based on his father's payments in the reference period ?

A37. A lease does not imply that the son will inherit the farm and he does not therefore, automatically get entitlements established for the father. In this case the entitlements will go to the National Reserve and there is a possibility (to be agreed in the context of the Commission detailed rules) that the entitlements concerned can be allocated to the son from the National Reserve.

Q38. A farmer who was farming during the reference period retires from farming (not Early Retirement Scheme) in 2003 and sold his farm to a non relative. What happens to his entitlements?

A38. Entitlements would be established for the retired farmer in the normal way but since he would be unable to activate those entitlements in 2005, they would be returned to the National Reserve. However, if he acquires by purchase or lease other land and recommences farming in 2005, he can activate the entitlements established for him.

Q39. A farmer joined the Early Retirement Scheme in 1999 and leased his land to a neighbour for 5 years. What happens to his entitlements ?

A39. Since this farmer was not farming in the reference period no entitlements will be established for him. Entitlements will be established for the farmer to whom he leased his land. The farmer who has joined the Early Retirement Scheme may not re-commence farming again. However, he can continue to lease out his land.

Q40. Supposing this farmer had to lease his land to the neighbour simply because his son/daughter was not old enough at the time to take over the holding. If the son/daughter takes over the holding in say 2006 how will he/she be fixed in terms of getting entitlements?

A40. The son/daughter may apply for entitlements from the National Reserve.

Q41. With regard to the two previous questions, if the lease of the land to the neighbour expires in 2006 and the son/daughter of the owner then takes over, the neighbour to whom the land was leased in the reference period could be left with a much reduced farm size or indeed no land at all. He would find it difficult to lease other land in the vicinity to enable him to continue farming. What is his position ?

A41. He needs to acquire eligible land by purchase or lease and farm it in order to draw his entitlements.

Q42. A farmer joined The Rural Environment Protection Scheme (REPS) in January 2000 for 5 years and was required to reduce his cow numbers from 20 to 10. How will his entitlements be calculated ?

A42. Farmers who participated in an agri-environmental programme such as REPS during the reference period and who had to reduce their stock numbers under that programme, will be treated in the same

way as force majeure cases. This means that their entitlements can be calculated based on years when they were not required to reduce their stock numbers.

Q43. A farmer with a ewe quota of 400 had 100 quota rights frozen in 1999 pending the completion of the Commonage Framework Plans. Following their completion, he is found not to be required to destock at all (0% destocking) and the 100 frozen quota rights were returned to him in 2003. In the meantime he had applied for the ewe premium in the reference years on 300 ewes. Will his entitlements calculation be based on 300 or 400 ?

A43. His entitlements will be based on 400.

Q44. A farmer with 100 eligible hectares, a milk quota of 30,000 gallons, and a suckler herd of 20 cows, which remained constant during the reference years, sells his milk quota in January 2003. He determines that his dairy enterprise comprised 75 of his hectares, and should therefore establish 25 entitlements based on his suckler enterprise. He reckons that this would enable him to sell off 75 hectares in 2004 and claim his full entitlements on the remaining 25 entitlements in 2005. Can he do this ?

A44. No. His entitlements will be based on the average hectares declared on his Area Aid applications in the reference period, regardless of the farming activity. In this case, he will establish 100 entitlements and must have 100 eligible hectares in 2005 to activate them all.

Q45. A farmer who did not apply for the Suckler Cow Premium Scheme in 2000 (he applied in 2001 and 2002) and whose quota was returned to the National Reserve, has subsequently appealed on the basis of exceptional circumstances and his appeal has been accepted. His quota has now been returned to enable payment for 2001 and 2002. Will his average payments be determined by dividing by 2 or 3?

A45. His Single Payment will be determined by dividing by 3. However, the farmer will be entitled to request to have his calculation based on the year or years in the reference period during which no such exceptional circumstances occurred.

Q46. A farmer was not paid the Ewe Premium in 2001 because of a penalty – he applied on 100 but he had only 70 eligible sheep in 2001 (on which no payment was made) and no exceptional circumstances applied - (he was paid on 100 sheep each year in 2000 and 2002). How are his entitlements calculated ?

A46. The intention is that entitlements will be calculated based on the number of eligible sheep actually found, even if the Ewe Premium was not paid on all eligible sheep. In this case the average number of sheep found in the reference Period is $90 (100 + 100 + 70) \div 3$

Q47. A farmer who farmed during the Reference Period, retires from farming in 2003. He leaves the farm to one son with the intention of transferring any entitlements established to the other son who has no land. Can that son activate those entitlements in 2005 ?

A47. The position is that in this case, the entitlements are established for the farmer who retired and he cannot transfer these entitlements without land, without having first used at least 80% in one year. If he does not activate any of them in 2005 they will revert to the National Reserve. However, if the father were to change his plans and allow the entitlements go with the land to the first son, that son could also inherit the entitlements.

Q48. A farmer establishes 50 entitlements @ €100 each. He sells his 50 hectare farm in 2003 and buys a 200 hectare farm. What entitlements will he have ?

A48. He will have 50 entitlements @ €100 each established for him. He can activate those using 50 hectares of his new farm in 2005.

Q49. 10 entitlements @ €100 each are established for a farmer and he activates them in 2005. He then buys 10 entitlements, without land, @ €500 each in 2006. He fails to acquire any additional land. In 2006, he has two sets of entitlements -10 @ €100 and 10 @ €500. As he has only 10 eligible hectares, which set of his entitlements generates the payment for 2006 ?

A49. The farmer is free to apply under the 2006 Single Payment Scheme for 10 entitlements @ €500 each.

Special Entitlements.

Special Entitlements are intended solely for farmers who had no land or very little land during the Reference Period. Some farmers were not required to submit an Area Aid application. There are very few such farmers in Ireland. The farmers in this category are;

- a) farmers with less than 15 Livestock Units per holding,
- b) farmers who applied for the slaughter premium only,
- c) farmers in the non-disadvantaged areas who keep only sheep and who were not required to submit an Area Aid application.

The Department intends to establish what land was available to such farmers in order that the vast bulk of them can have a single payment entitlement established in the normal way.

Where a farmer with very few hectares of land during the reference period has entitlements per hectare valued at €5,000 or more established for him/her, then he/she will be allocated special payment entitlements in units of €5,000 or part thereof. The farmer in question can activate special payment entitlements if he/she has an eligible hectare to accompany each entitlement. However, if he/she does not have an eligible hectare for each entitlement, he/she may activate special payment entitlements but only if he/she continues to pursue at least 50% of the agricultural activity (measured in Livestock Unit values) which gave rise to the special payment entitlement. In cases where Special Payment entitlements which do not require an eligible hectare are sold the purchaser must then continue 50% of the agricultural activity.

Set Aside Entitlements

Farmers who were subject to compulsory set aside (i.e. 10% of the area under arable crops in any year if area on which Arable Aid was claimed exceeded 15.13 hectares) during the reference period, will be granted Special Entitlements based on the average of the compulsory set aside hectares.

In order to activate those entitlements, they will have to continue to set aside a comparable area of arable land and they must show that set aside land on their Area Aid applications. Such set-aside entitlements must be claimed each year before any normal entitlements.

Set-aside entitlements can be transferred to another farmer but the purchaser must continue to set aside that amount of eligible arable land.

This is a market management tool to avoid an overall increase in cereal production across the EU.

Dairy Premium

Q50. Under the Mid Term Review will a dairy farmer lose his milk quota ?

A50. No. Under the recently adopted Council Regulation the Milk Quota Regime will remain in place until 2014/2015.

Q51. What about the Dairy Premia ?

A51. By way of compensation for the reduction in intervention price supports, a new Dairy Premium will be introduced from 2004. The payment consists of a Dairy Premium and a National Envelope. The National Envelope will be equal to about one-third of the total compensation. No decision has yet been taken on how the National Envelope will be distributed. If, for example, the national envelope were to be distributed to all dairy producers on a linear basis the total premium, including the National Envelope, would be:

2004 : 5.5c per gallon (1.2cent per litre)
2005 : 11c per gallon (2.4cent per litre)
2006 : 16.6c per gallon. (3.6cent per litre)

The sum of the individual milk quotas on which the premium is based cannot exceed the National milk quota for 1999/2000. In view of this a decision will have to be made on calculating the premium at individual farmer level to take account of the 32 million gallons of milk quota which was, under Agenda 2000, added to Ireland's national quota since 1 April 2000.

For 2004 only, the Dairy Premium will be a coupled scheme like all the other direct payment schemes. The coupled premium will be paid on the milk quota held (owned and leased-in) by the producer on 31 March 2004. The premium in respect of temporary leased quota is payable to the producer who has leased it from the pool. Only a farmer who is an active milk producer is eligible to be paid the dairy premium.

Q52. What happens from 2005 onwards ?

A52. The Dairy Premium will be decoupled from milk production in 2005 and will become part of a single payment entitlement. The part of the single payment related to the dairy premium will then be based on the eligible milk quota held on 31 March 2005 and its value calculated at the rate of 11c per gallon (2.4cent per litre) For example:

Eligible milk quota held on 31 March 2005 = 40,000 gallons
Total eligible hectares = 30

$40,000 \times \text{€}0.11 = \text{€}4,440$
 $\text{€}4,440 \div 30 = \text{€}146.67$ per hectare.

This amount will be added to the existing single payment entitlement (if any) to calculate the entitlement value. If the farmer did not claim any premia during the 2000-2002 reference period and so has no reference amount of land to establish a number of entitlements, the number of entitlements will be established for the farmer using the eligible hectares of land which he owns in 2005.

In 2006 and thereafter the rate of payment increases to 16.6c per gallon (3.6 per litre) and this amount multiplied by the quota held at 31 March 2005 calculates the part of the single payment related to the dairy premium.

Q53. Do I need to retain my milk quota after 2005 to continue to get the decoupled Dairy Premium ?

A53. No. Of course, if you wish to continue to deliver milk, you will have to retain a milk quota.

Q54. Will I continue to get the Single Payment every year irrespective of what I do with my milk quota ?

A54. Yes, provided that you continue to meet the requirements of the scheme.

Unused Entitlements

Q55. If a farmer cannot use all his entitlements, what happens ?

A55. Any entitlement which has not been used for a period of three years will be forfeited to the National Reserve.

For example : A farmer establishes 50 entitlements. He uses 40 in the first year, 43 in the second year and 46 in the third year, the 4 entitlements that he did not use at all will be returned to the National Reserve.

Q56. Are there any exceptions to this rule ?

A56. If a farmer can show that he could not use the entitlements because of force majeure or exceptional circumstances, the unused entitlements would not be returned to the National Reserve.

Q57. If a farmer gets entitlements from the National Reserve, will he lose them if they are not used ?

A57. Yes. Any entitlements which he got from the National Reserve and which are not used in any year of the following 5 years, will be returned to the National Reserve. For example, a farmer with 100 original entitlements gets 20 more from the National Reserve, giving him a total of 120 entitlements. If, in year one, he uses only 118 of those, the 2 unused will be returned immediately to the National Reserve. If in year two, he uses only 115 entitlements, a further 3 will be returned to the National Reserve, and so on.

If, in year 3, he uses only 95 entitlements, he will lose all the reserve entitlements but will retain the original 100 entitlements which must be used within the following two years in order to hold on to all 100.

Sale and Lease of Entitlements

Q58. If a farmer wants to sell his entitlements, does he have to sell land with them ?

A58. No. Entitlements can be sold with or without land. However, they can only be sold without land after at least 80% of entitlements have been activated in one calendar year.

Q59. To whom can entitlements be sold ?

A59. Entitlements can only be sold to a farmer within the same Member State.

Q60. If a farmer wants to lease his entitlements, what's his position ?

A60. Entitlements can only be leased if accompanied by an equivalent number of eligible hectares.

Q61. If 100 entitlements are established for a farmer and he only activates 80 of those in 2005, can he sell all 100 entitlements in 2006 ?

A61. Yes. He may sell (without land) up to 100% of his established entitlements because he has activated at least 80% of them in one calendar year.

Q62. 50 entitlements at €40 each are established for a farmer. He activates 30 entitlements i.e 60% of them in 2005. He wants to sell all 50 entitlements (without land) in 2006. Can he do this ?

A62. No. As he has not activated at least 80% of his entitlements he can only sell the 30 he activated in 2005 (without land) but he must first surrender the 20 entitlements not used in 2005 to the National Reserve.

Q63. In the case of sale of entitlements will there be a deduction of entitlements for the National Reserve ?

A63. There is provision in the Regulations that allows for a deduction in the case of sale of entitlements but a decision has not yet been made as to whether this option will be exercised.

Q64. Can a farmer sell entitlements he got from the National Reserve ?

A64. Entitlements obtained from the National Reserve cannot be sold for a period of five years from the year of allocation. However, a farmer may transfer, by inheritance, any entitlements he got from the National Reserve within those 5 years.

Use of Land

Q65. A farmer who owns 82 hectares and wants to plant 40 ha with forestry, how soon can he start planting without losing his entitlements?

A65. If he has established his entitlements on 82 ha, he will need 82 hectares to activate all his entitlements in 2005. He can, however, plant 16.4 hectares (20%) and then activate 80% of his entitlements in 2005 following which he can sell the remaining 20% of his entitlements.

Q66. Can a farmer who has arable land at present, (a) put it back into pasture land now and (b) return it to arable in the future?

A66. (a) Yes he may put it into pasture land now.

- (b) Yes. However, the Department must ensure that there is no significant reduction in the total area under permanent pasture in Ireland. In this regard, the planting of forestry, (other than Christmas trees), will not be regarded as leading to a reduction in permanent pasture.

National Reserve

Q67. Who can get extra entitlements from the National Reserve ?

- A67. The detailed rules regarding the allocation of entitlements from the National Reserve have not yet been published but there will be a priority category for farmers who commenced farming after 31 December 2002. The other priority categories will likely include the following :
- Farmers who received a holding or part of a holding, by way of inheritance from a farmer who retired or died in the reference period and whose land was leased during the reference period ;
 - Farmers who bought a holding or part of a holding in the reference period or not later than 31 May 2003, where such land was under lease during the reference period;
 - Farmers who entered into a multi-annual lease of a holding or part of a holding in the reference period, or not later than 31 May 2003, and whose lease conditions may not be adjusted;
 - Farmers who made investments or purchased land in the reference period or not later than 31 May 2003 in order to increase their production;
 - Farmers who participated in the reference period in national programmes of reconversion of production.
- (The date of 31 May 2003 is a proposed date).

Force Majeure

Q68. What is force majeure ?

- A68. Force Majeure is defined as circumstances outside the farmer's control which he could not have foreseen and which he, as a prudent farmer, took all reasonable precautions to avoid. The following are accepted as constituting force majeure :
- 1) the death of the farmer
 - 2) long term professional incapacity of the farmer
 - 3) a severe natural disaster gravely affecting the holding's agricultural land
 - 4) the accidental destruction of livestock buildings on the holding
 - 5) an epizootic disease affecting all or part of the farmers livestock.

National Envelope

Q69. What's this about a 10% National Envelope ?

- A69. Member States have the option of setting aside 10% of the National Ceiling for the purposes of encouraging specific types of farming which are important for the protection or enhancement of the environment and improving the quality and marketing of agriculture products. These additional payments must be made on a coupled basis. Where they are limited to a particular sector, up to 10% of that sector's element of the National Ceiling can be used. Of course, if a Member State was to exercise this option it would mean that individual entitlements would have to be reduced by the percentage diverted to the National Envelope.

Mid Term Review - How to calculate your own entitlements

This calculation sheet will give you an approximate calculation of your gross entitlements.

Using Table 1 below, enter the number of animals on which the premium was paid in each of the reference years. Add those figures across and put the total into the 'Total' box. Divide that 'Total' box by 3 and put the result into the 'Average' box. Multiply that 'Average' by the 2002 Rate and put the result of that into the 'Single Payt' box.

Under the 'National Envelope Top Ups' only one year, 2002, is relevant to the 'Ewe Premium' and 'Dry Heifer' Top-ups. In those cases, the 2002 figure is also the 'Average'. Under the 'Calved Heifer' Top Up, divide the total by 2 to obtain the Average. Under 'Heifers Slaughtered' divide the total by 3 to obtain the average.

Under the 'Arable Aid' heading, calculate the average number of hectares. Multiply that average by €383.04 and put the result in the Single Payt Box.

Add up all the figures in the 'Single Payment' column to give a total in the bottom right hand box. This is your gross entitlement.

Using Table 2 below, insert the number of forage hectares declared in your Area Aid application in the each of the reference years, in the relevant boxes. Add these and insert the result in the 'Total' box. Calculate the average by dividing that total by 3 and put the result in the 'Average' box.

Divide your gross entitlements by the average hectares. The result of that division is the value of each entitlement giving you Amount X.

You will then have a number of gross entitlements equal to your average forage hectares and each entitlement will have a value of Amount X.

Then deduct the percentages for the National Reserve and Modulation which will leave the number of nett entitlements which will have a value of Amount Y.

Table 1

**No of Animals paid on in
reference Years**

Schemes	2000	2001	2002	Total	Average	2002 Rate	Single Payment.
Special Beef 1 st Age						150	
Special Beef 2 nd Age						150	
Special Beef Bulls						210	
Suckler Cow						224.15	
Ewe Premium						21.00	
Rural World (Supplementary) Premium						7.00	
Extensification <1.4						80	
Extensification < 1.8						40	
Slaughter premium						80	
Nat Env Top Ups							
Ewe Premium	NA	NA				Say 1.26	
Dry Heifer	NA	NA				Say 77.50	
Calved Heifer	NA					Say 112.00	
Heifers Slaughtered						Say 25.10	
Total for Livestock Premium Schemes							
ARABLE AID	Hectares	Hectares	Hectares	Total	Average	Rate *	
Cereals ; OilSeeds ; Linseed ; Non- Compulsory Set Aside						383.04	
Total for Arable Aid							
GRAND TOTAL							

Table 2

Year	2000	2001	2002	Total	Average
Forage hectares					
Arable hectares					
Total hectares					

Result of Calculation : _____ Gross entitlements @ € _____ each (AmountX)

Deductions

- a) Calculate 3% deduction for National Reserve = €
 b) Calculate 3% deduction for Modulation (the first €5,000 is exempt) = €

Deduct those from the Gross entitlements to give

_____ Nett Entitlements @ € _____ each (AmountY)

Note : A further deduction may apply if the sum of the individual entitlements exceeds the National Ceiling.

The Farm Advisory System

Q71. What is the farm Advisory System ?

A71. The review of the Common Agricultural Policy required each member state to set up a system of advising farmers on land and farm management.

Q72. Who is going to operate it ?

A72. This has not yet been decided but it is likely that it will be operated by an existing advisory service.

Q73. What is it going to advise on ?

A73. It will advise on the statutory management requirements set out in A 16. These are :

- a) Environment, and identification of animals (from 1st January 2005),
- b) Public, animal and plant health, (from 1st January 2006),
- c) Animal Welfare, (from 1st January 2007).

It will also advise on the application of good agricultural and environmental practices.

Q74. Does every farmer have to participate ?

A74. Participation will be voluntary.

Q75. When does it start ?

A75. The Farm Advisory System will be available from 1 January 2007.

Further Information

Further information regarding the Mid Term Review of the Common Agricultural Policy may be obtained from :

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Department of Agriculture and Food
Michael Davitt House
Castlebar
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Tel : **094 9035300** LoCall : **1890 200507** Fax No : **094 9022066**

See also the Departments web site at : www.agriculture.gov.ie

