

CAP SUBSIDY PAYMENTS

This note summarises the general background to the information on CAP subsidy payments being released on 22 March 2005 and, in particular, the reasons for interpreting this material with care.

1. The Common Agricultural Policy has a range of economic, social and environmental objectives. It comprises a wide range of measures covering the production of, and trade in, agricultural products. Some of these measures are financial, others not. The payment data alone will not give a full picture of the support which individuals or businesses may receive from the CAP
2. Market price support, which historically formed a large part of the CAP support system, has been partially replaced by a system of *direct payments* to farmers. Such payments were until 2005 largely based on what and how much a farmer produced under a range of different schemes for crops, livestock or other activities. In England, major changes are taking place this year which will decouple direct payments from production.
3. In certain circumstances, *intervention purchases* or *private storage aid* may operate to remove surplus production from the market.
4. The CAP leads certain commodity prices to be higher in the EU than in the rest of the world. In these circumstances, exporters of commodities or processed products may be entitled to apply for *export refunds* to compensate. Producers of certain secondary products (starch, casein, sugar for use in the chemical sector) are entitled to *production refunds* for the same reason.
5. The information here is drawn from the financial records of the Rural Payments Agency (RPA). It represents an annual aggregate figure for payments to each recipient under the schemes listed in the Appendix to this note. It should be interpreted with care (more detailed comment is in paragraph 13 below.)
6. It should not be assumed that there is only one entry per business. For some recipients, there will be several entries reflecting the structure or nature of the business; for others a single entry will cover a number of discrete businesses variously located in the UK, or even in the UK and elsewhere in the EU; and some international businesses that are active in the UK may nonetheless have no entry at all because they choose to make all their claims in another member state.
7. For farmers, most payments are made at a fixed rate determined in EU law and farmers have a legal entitlement to those payments. In the case of food manufacturers or traders, export refunds are generally determined by a tender process and the level of payment may fluctuate

over time. In some cases, entitlement to aid will be conditional on the recipient having paid a prescribed minimum price for the raw material. In any case, the extent to which an individual farmer or business benefits from the full range of CAP measures will not be apparent from payment data alone.

8. Direct comparisons between entries for businesses in the same sector or sectors may accordingly be misleading. Furthermore, CAP payments form only a part of the revenue of a business and are not indicative of net income levels or profitability, which depend on a much wider range of factors.
9. It may also not be possible to make direct comparisons with other published figures about CAP payments due to the precise basis on which the figures have been compiled.
10. The information covers those payments for which RPA is responsible and includes payments made under Integrated Administration and Control System (IACS) schemes in England and under non IACS schemes throughout the UK. It does not include information about payments made under IACS schemes by the EU Paying Agencies in Scotland, Wales or Northern Ireland.
11. In some cases, payments need to be subsequently adjusted for a variety of reasons such as new information coming to light or errors in original applications. The data in these lists will not include most of these adjustments except where they applied to a subsequent payment in the same payment year.
12. The information contained in the spreadsheets was derived from RPA's automated payments database (Oracle Financials Accounts Payable). It is an extraction of all CAP payment activity undertaken in the EU financial year which runs from 16 October to 15 October the following year (This being the most complete set of audited annual figures available). No distinction has been made in the spreadsheets regarding the funding route (i.e. the figures include all payments whether they have been funded by EAGGF or the UK Exchequer.)
13. To interpret the information contained in the spreadsheets, and particularly when viewing non farm based (non IACS) customer information, the recipient needs to bear in mind the following:
 - The figures produced are gross amounts and may differ when compared to the amount actually 'received' by the customer as some element of the payment may have been automatically 'intercepted' to pay off an outstanding debt.
 - The spreadsheet figure does not take into account the issue of credit notes which are occasionally raised for accounting purposes.

- The spreadsheet excludes VAT payments to customers for service provision.
- Some customers have more than one registration. The extraction in the spreadsheet has been done by registered customer so the same customer with different registrations will appear more than once on the spreadsheet.
- Those customers who receive payments in euros have been included in the spreadsheet using the Sterling value applicable at the time of the payment.

APPENDIX – SCHEMES ADMINISTERED BY RPA

IACS and other farm based schemes dealt with by RPA for England:

Arable Schemes

Arable Area Payments Scheme (AAPS) including Fibre Flax Subsidy
and Hemp Subsidy
Aid for Grain Legumes

Bovine Schemes:

Beef Special Premium Scheme (BSPS)
Suckler Cow Premium Scheme (SCPS), including decisions about
suckler cow quota
Extensification Payments Scheme (EPS)
Slaughter Premium Scheme (SPS), including Veal Calf Slaughter
Premium

Sheep Schemes:

Sheep Annual Premium Scheme (SAPS), including the LFA Supplement and
decisions about sheep quota

Agrimonetary Compensation linked to any of the above schemes

England Rural Development Programme (ERDP), including the Hill Farm
Allowance Scheme (HFA).

Structural Funds.

The Structural Funds are a multi-funded EU programme. Defra is the
Managing Authority, RPA is the Paying Authority (responsible for financial and
accounting controls) and the Government Offices act as the Intermediate
Bodies (responsible for administration and implementation).

RPA only pays under the Guidance element for schemes in Objective 1
regions and for Leader + schemes.

Non-IACS (i.e. CAP) schemes dealt with by RPA for the UK:

GENERAL

Aid for Concentrated Grape Must
Aid for Dehydrated Fodder
Apple Consumption Aid
Beef Information Programme
Butter for Manufacture
Butter for Non-Profit Making Organisations
Cane Sugar Refining Aid
Control of Casein in Cheese Making

Casein Production Subsidy
Citrus Processing Aid
Concentrated Butter for Direct Consumption
End Use Control of Certain Fruit and Vegetables
Fibres Processing Aid
Fish Carry-Over Aid
Fish Flat-Rate Aid
Fish Flat-Rate Premium
Fish Private Storage Aid
Fish Withdrawals Compensation
Fresh Fruit and Vegetables Withdrawals
Fruit and Vegetable Operational Programme
Fruit and Vegetable Producer Organisation Recognition
Grape Juice Aid
Herbage Seed Production Aid
Milk Quotas Scheme
Olive Oil Production Refunds
Over Thirty Months Scheme
Promotions to Internal Market
Promotions to Third Countries
School Milk Scheme
Selective Cull Scheme
Skimmed Milk Powder for Animal Feed
Starch for Prescribed End Users
Sugar and Isoglucose Production Levies
Sugar in the Chemical Industry

INTERVENTION PURCHASING SCHEMES

Cereals
Beef
Dairy

PRIVATE STORAGE AID SCHEMES

Dairy
Sheepmeat/Goatmeat
Pigmeat
Beef

SUGAR, OILS and STARCH

Cane Sugar Refining
End Use Control of Certain Vegetable Oils
Olive Oil Production
Production Refund on sugar used in the Chemical Industry
Starch Refunds - Cereals
Starch Refunds - Rice
Isoglucose Quotas and Production Levies
Sugar Quotas and Production Levies

EXTERNAL TRADE SCHEMES (including export refunds):

Bananas

Beef and Veal

Beef Import Tariff Quota

Cereals

Rice

Fish

Floriculture (live plants and flowers)

Fruit and Vegetables

Milk/Milk Products

Processed Goods (i.e products including two or more agricultural products supported by the CAP).

Oils/Fats

Oilseeds/Seeds

Pigmeat

Eggs

Poultrymeat

Sheepmeat and Goatmeat

Sugar, Isoglucose and Insulin Syrup

Tobacco

Whisky refunds

Wine