

Guidance on National Reserve Alternative Investors: England

The following is an extract from Section F of the Single Payment Scheme Handbook and Guidance for England 2005 (as amended by the Supplement dated April 2005). Explanatory text, shown in blue, has been added to explain how the guidance will be interpreted during the review of Alternative Investor applications.

Investments

103. You may qualify for an allocation from the National Reserve if, between 1 January 2000 and 15 May 2004, you:
- bought land or took out a lease of six or more years on land for the purpose of increasing production of a product which would have received a subsidy; or
 - Invested in increased production capacity for the purpose of increasing production in a product for which subsidies would have been payable.

104. You must provide proof of investment with your application,

Any applications to be reviewed will be reassessed on the basis of the evidence that was submitted by the NR submission deadline in 2005 (i.e. for England, by 4 November 2005). New evidence cannot be submitted.

including:

- evidence of completion of purchase up to and including 15 May 2004 stipulating the area and identity of the fields concerned;
- copy of the lease for 6 or more years identifying the fields concerned;
- evidence that the land is eligible for the SPS;
- proof that an investment of production-enhancing nature took place e.g. receipts for building work or livestock quota;
- an investment plan with evidence of financial provision e.g. letter of offer of finance or evidence of own capital. Other written evidence will be considered on its merits where a written plan is not available.

Investment plan - There should be a written business plan covering all aspects of the investment necessary to realise the increase in subsidies. It should provide details on the scale and timing of the investment. Where there is no written business plan, other written evidence should be considered on its merits (but would still need to demonstrate the scale and timing of the investment and how the investment would lead to increased subsidies).

Evidence of financial provision – There should be evidence that the farmer was able to finance the whole investment (e.g. where applicable, housing, stock and quota). If outside financing was needed there should be a letter of offer of finance for the whole investment.

105. Allocations will be based on the difference between the average subsidy payments over the reference period and the payment in 2004, calculated on a scheme-by-scheme basis at the 2002 rates.

106. Decreases in one sector will be off set against increases in others to ensure only the net expansion of the business is reflected in the allocation. For

example, if you increase suckler cows by 50 but reduce sheep by 30 you will still have an overall increase based on 50 times the suckler cow premium less 30 times the sheep premium.

107. Investments in dairy production will not be considered, as the reference amount allocated takes account of milk quota held on 31 March 2005.

General points concerning investments

108. Where a private contract took place for purchases up to or on 15 May 2004, the value of any reference amount acquired will be deducted from any allocation made as a result of investment.
109. If you consider that the standard method of calculating the allocation does not fully reflect the investment you have made - for example, if your 2004 claims do not, for some reason, represent your planned business expansion, you may also present your own written evidence showing the nature of investment in production capacity as an alternative method of calculating the allocation. Only investments which increase the capacity to claim coupled subsidy for each sector, as set out in this section, are eligible.

The farmer must have demonstrated that the investment as a whole would have led to increased subsidy:

- investment in cattle housing in itself is not sufficient as it wouldn't have resulted in subsidy without animals.
- the investment plan would need to include quota and land (in order to respect stocking density requirements) where these would have been needed in order to qualify for subsidy.
- if a farmer had not obtained quota he could only qualify for an award if he had demonstrated that he had the finances to purchase the quota and that the purchase or leasing of quota was part of his investment plan.
- high BPS scaleback in 2004 is not grounds for an AI award as scaleback was part of the scheme rules.

The farmer must have demonstrated that at 15 May 2004 he had the capacity to complete the investment as a whole:

- at the time of the NR submission deadline, all steps in the plan must have been followed up until that point.
- if steps in the plan had not been followed at the point of application or there are signs that the plan had changed to a significant extent, this indicates that the investment and increased subsidy may not have been realised.
- in such cases the farmer would need to have provided a rational explanation (which could have included impending CAP Reform) and further supporting evidence to demonstrate that at 15 May 2004 they did have the intent and capacity to realise the plan. An explanation that quota was not obtained because of impending CAP reform does not constitute evidence that it was originally part of his investment plan. A statement that it was intended to obtain quota would not suffice and this would need to be supplemented with supporting evidence.

- 109a. Where you inherited a reference amount by 15 May 2004, the value of the reference amount will be deducted from any allocation made under this category.

110. The following investments are ineligible:

- those relating to animal health and welfare, environmental protection, health and safety, product quality, legal obligations or input reduction;
- those in machinery, plant and equipment;
- those related to the dairy sector;
- those beginning after 15 May 2004 (including part investments in a rolling programme).

The farmer must have made a serious financial commitment by 15 May 2004:

- he must have spent money or signed a contract which has financial consequences for pulling out.
- staged investments (e.g. housing as stage one of the plan with animals and quota as stage two) are acceptable provided a serious financial commitment was made by 15 May 2004 (and provided that the investment as a whole would have led to an increase in subsidy)
- those elements of a rolling programme which were committed to after 15 May 2004 cannot be allowed. (Rolling programmes are a sequence of complete investments, each capable of bringing in a profit on their own).

111. You will need to demonstrate the impact the investment makes on your capacity to claim coupled subsidy above that in your historic reference amount. If you are successful in demonstrating that 2004 subsidy receipts do not reflect your investment, your allocation will be calculated, as described in this section, but on the basis of additional units of subsidy you have demonstrated should be taken into account.

If it is decided to make an award under the alternative investor method, the value of the award will be calculated on the basis of the eligible animal numbers/subsidy receipts which the farmer had demonstrated that his investment would support (and which is also supported by sufficient livestock units and quota, where applicable). It is the 2004 payment rates, scaleback and base reductions which will be used to calculate the award and this applies even when the award is based on projected eligible animal numbers/subsidy receipts for a later year.

Arable investments

112. Support in the arable sector took the form of area aid, set-aside, grass silage payments, supplementary amounts, durum wheat supplement and special aid.

Eligible investment

113. Investment which will qualify you for an allocation is:

- an increase in the arable area claimed under a scheme (over the average of the area claimed during the reference period and the 2004 scheme year) together with the purchase or lease (for 6 years or more) of land used for supported arable production. The area of land purchased/leased does not have to be the same in size or location as the expanded area claimed, but it must be eligible land (see below);

- an expansion of claimed arable area based purely on short term lets, but only if the claimed area increased by 10% or more between the average of the reference period and the 2004 IACS area declaration (to avoid normal annual fluctuations). If this condition is met, an award is made in respect of all of the additional claimed land (i.e. no 10% franchise applied).

114. There is no minimum needed for land purchase or long-term lease.

Ineligible investment

115. This includes:

- investment in land used for unsupported sectors (e.g. additional land for horticultural production) or investment in ineligible land (i.e. land used for permanent crops, forest or non-agricultural purpose);
- expansion based purely on short-term lets if the increase in area claimed between the average of the reference period and 2004 IACS returns is less than 10%;
- upgrading facilities for environmental protection, health and safety, product quality, legal obligations or input reduction (including labour input).

Evidence of investment

116. You must supply original documents relating to land sales or long term leases of six years or more completed between 1 January 2000 and 15 May 2004 inclusive with your application. Cases of expansion based purely on short-term lets must be supported by additional evidence of investment/expansion (e.g. an investment or development plan) to show that the investment was not a "one off" or related to a short term, opportunist reaction to the market.

117. The IACS database will be checked to confirm increased claims, usage (that the land was not used by third parties or for ineligible crops during period of the investment) and increase in set-aside land.

Beef and veal investments

118. Support in the beef and veal sector took the form of beef special premium, deseasonalisation premium, suckler cow premium, slaughter premium, extensification payment, and additional payments (i.e. beef national envelope payments made as an additional headage payment on animals qualifying for the suckler cow premium).

Eligible investment

119. Investment which will qualify is:

- an increase in the number of subsidy bearing animals claimed within a scheme (over the average of the reference period compared with the 2004 scheme year) together with an investment in quota (purchased or awarded

from the Suckler Cow Premium Quota National Reserve between 1/1/2000 and 15/5/2004 inclusive) or;

- land purchased or taken in long-term lease of 6 years or more or;
- an increase in capacity of animal housing facilities.

120. The additional land, quota or housing capacity does not have to be shown to correspond in scale to the additional claims. They merely have to be shown to exist.

121. Investment in housing facilities would have to show increased capacity. Therefore, in the case of replacement or upgraded facilities, only a net increase in capacity would be considered as an investment.

122. If investment is reflected only in terms of an increase in the number of animals claimed under the scheme (between the reference period average and 2004) and is linked to;

- the use of leased quota only if applicable, and/or
- the use of short term lets; or
- neither of the above;

then the increase must be for a minimum of 10% (to avoid annual fluctuations). If this condition is met, an award is made in respect of all of the additional claimed animals (i.e. no 10% franchise applied).

123. There is no minimum needed for land purchase or long-term lease.

Ineligible investment

124. This includes;

- replacement housing facilities with no increase in capacity;
- upgraded housing facilities for animal health and welfare, environmental protection, health and safety, product quality, legal obligations or input reduction (including labour input);
- investments in breeding or genetics (this is rewarded from the market);
- investments in handling facilities or in plant and machinery for more efficient production processes;
- investment in land for non-support sectors (e.g. additional land for horticultural production) ineligible land within the meaning of Article 44(2) of Council Regulation 1782/03;
- a decrease in livestock units to increase claims (e.g. extensification premium).

Evidence of investment

125. You will need to provide with your application original documents showing land purchase or long term lease of six years or more completed between 1 January 2000 and 15 May 2004 inclusive and plans, etc. to show enhanced capacity of housing facilities.

126. If your investments are defined purely in terms of increased claims (with or without leased quota and/or short term lets) you must provide additional evidence of investment/expansion (e.g. an investment or development plan) to show that the investment was not a "one off" or related to a short term, opportunist reaction to the market.
127. RPA will cross-check subsidy claims to confirm increase in subsidy and cross-check quota data to confirm increase in quota (if applicable). A decrease in livestock units to increase claims is not acceptable.
128. We will also check against the IACS database to confirm usage and that the land was not used by a third party or for ineligible crops during the period of the investment.

Sheep and goat investments

129. Support in sheep and goat sector included Sheep Annual Premium and certain additional payments.

Eligible investment

130. Eligible investment is:
 - an increase each year in the number of subsidy bearing animals claimed (over the average of the reference period compared with the 2004 scheme) together with an investment in quota (purchased or awarded from the Sheep Annual Premium Quota National Reserve between 1/1/2000 and 15/5/2004 inclusive).
131. If the increase in the number of animals claimed between the average of the reference period average and 2004 occurred with the use of leased quota only, then the increase in animals must be for a minimum of 10% (to avoid annual fluctuations). If this condition is met, an award will be made in respect of all of the additional claimed animals (i.e. not just the 10%).

Evidence of investment

132. If your investment is defined purely in terms of increased claims with leased quota you need to provide additional evidence of investment/expansion (e.g. an investment or development plan) to show that the investment was not a "one off" or related to a short term, opportunist reaction to the market
133. The RPA will cross-check subsidy claims to confirm increase in subsidy and cross check quota data to confirm increase in quota.

Milk and dairy investments

134. This sector will not be considered as investment under this category, as any such investment will be reflected in the quota held on 31 March 2005.