

Hill Farm Allowance Explanatory Booklet 2010



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Latest news for applicants

- 1) The Secretary of State announced in December 2008 that the Hill Farm Allowance (HFA) **has been extended for a further year**. This booklet therefore relates to the final year of the HFA, for which payments will be made at the usual time in 2010.

As previously announced, the HFA will be replaced by a new uplands strand to the Environmental Stewardship scheme (Uplands ELS) in 2010. The one year extension of the HFA will help smooth the transition to Uplands ELS. Uplands ELS agreements can be started from 1 July 2010.

From 2011, a transitional payment will be available for those farming eligible Severely Disadvantaged Area (SDA) land still in Environmentally Sensitive Areas (ESA) scheme or Countryside Stewardship Scheme (CSS) agreements, **providing that you successfully claim the HFA in 2010**.

This is because land in an ESA or CSS agreement will be ineligible for Uplands ELS (to avoid overcompensation). Applicants for the Uplands Transitional Payment from next year will therefore need to meet this year's HFA eligibility requirements set out in Part 2 of this booklet.

If you think you may be eligible for the Uplands Transitional Payment from 2011, you **must** have successfully claimed HFA 2010. If you don't submit a valid application for HFA 2010, you will not be eligible for the Uplands Transitional Payment at any time in the future. You can find full details of how to apply for HFA 2010 in this booklet.

These details are subject to European Union (EU) approval. You can find further information about Uplands ELS and the Uplands Transitional Payment in section 1.4 of this booklet or on the Defra website at (www.defra.gov.uk/rural/uplands/support.htm).

- 2) Full details of all schemes and budgets under the Rural Development Programme for England (RDPE) are available in the Programme document, which can be found on the Defra website at (www.defra.gov.uk/erdp/rdp/07_13/index.htm).

The Hill Farm Allowance operates as part of the RDPE. The RDPE safeguards and enhances our rural environment and encourages competition to foster competitive and sustainable businesses and thriving rural communities.

Environmental Stewardship (ES) currently has three elements: Entry Level Stewardship (ELS), Organic Entry Level Stewardship (OELS) and Higher Level Stewardship (HLS). They replace the Environmentally Sensitive Areas (ESA) scheme, the Countryside Stewardship Scheme (CSS) and the Organic Farming Scheme (OFS). The new uplands strand of Entry Level Stewardship (Uplands ELS) will also be added from 2010. For further information you can contact Natural England. For details of your local Natural England office call **0845 600 3078** or visit their website at (www.naturalengland.org.uk).

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Part 1: Introduction to the Scheme

1.1 What is the Hill Farm Allowance?

The Hill Farm Allowance (HFA) continues to provide dedicated support to beef and sheep producers who farm land in England's Severely Disadvantaged Areas (SDA). It recognises the difficulties farmers face in these regions and the vital role they play in delivering the landscape and environmental benefits for England's uplands.

The HFA helps to preserve the farmed upland environment by making sure that land in the SDA is managed in a sustainable way. It also aims to contribute to the maintenance of the social fabric in upland communities through support for continued agricultural land use.

The HFA is administered by the Rural Payments Agency (RPA) on behalf of the Department for Environment, Food and Rural Affairs (Defra).

1.2 What are the Severely Disadvantaged Areas (SDAs)?

The SDA are areas where characteristics such as geology, altitude and climate make it more difficult for farmers to compete. Less Favoured Areas (LFA) are designated under European law. The SDA forms part of the LFA, along with the Disadvantaged Area (DA). DA land has been ineligible to receive support under the HFA since 2008. You can view maps showing the different classes of land online (www.magic.gov.uk). The land coloured pink is SDA.

1.3 When will HFA 2010 be paid?

We expect to make payments at the same time of the year as HFA 2009, which began in March 2009. European Union (EU) Rural Development Regulations allow us to make a partial payment of up to 75% after completion of administrative checks, followed by a balance payment of 25% after completion of inspection checks. Your payment advice letter will explain whether we are making a partial, balance or full payment. We will publish full details on the RPA website at www.rpa.gov.uk as soon as we can.

1.4 What is the future for Uplands Support?

This will be the final year of the HFA. From 2010, the scheme will be replaced by Uplands Entry Level Stewardship (Uplands ELS), a new strand of Environmental Stewardship (ES). Providing your SDA land is not in an existing Countryside Stewardship Scheme (CSS) or Environmentally Sensitive Areas (ESA) scheme, you will be able to sign up to Uplands ELS agreements from July 2010.

If the land you farm is already in an existing ESA or CSS agreement, you will not be able to sign up to Uplands ELS until that existing agreement expires (to avoid overcompensation). Instead you may be eligible for the new Uplands Transitional Payment, which has been designed specifically for SDA land in existing CSS or ESA agreements. You do not necessarily need to hold the ESA or CSS agreement yourself (your landlord may be the agreement holder), but you will need to show that the land in question is available to you for grazing for a specific period of the year, in the same way as required under the HFA.

The first payment will be made in 2011. **The scheme will be similar to the HFA, but you must receive HFA 2010 to be able to claim the UTP at any time in the future.** Like the HFA, you will need to apply for it on next year's Single Payments Scheme (SPS) forms, and it will be paid on all the eligible SDA forage land on the application relating to that holding. Further eligibility conditions will apply; we will provide full details later this year.

Important: The Uplands Transitional Payment will only be paid on commons when the common itself is still in an ESA or CSS Agreement from 2011 and is therefore not eligible to be entered into Uplands ELS.

You can find further details of all the changes to uplands support on the Defra website (www.defra.gov.uk/rural/uplands/support.htm).

Part 2: Eligibility Requirements

2.1 Who can claim the HFA?

To be eligible for HFA 2010, you must meet all of the conditions set out below:

- Have a minimum of 10 hectares of eligible SDA forage land (read page 4 paragraph 2.3), which must be listed in Part C under column C12 of your SP5 (this may include an allocation of SDA Common Land entered at Part CA on your SP5).
- Keep eligible sheep and/or eligible cows which meet the relevant rules (read page 5 paragraph 2.6).
- Keep stock at a minimum of 0.15 livestock units per hectare (LU/ha) across the LFA of your holding (or less if you have an agri-environment or other agreement that restricts your stocking density further; read pages 5 and 6, paragraphs 2.7 – 2.9).
- Agree to keep at least 10 hectares of land situated in the SDA in agricultural production, continuously, for five years from the date of your first HFA payment.
- Follow cross compliance requirements, summarised in *The Guide to Cross Compliance in England*. If you do not already have one, you can contact RPA for a copy (contact details are inside the front cover). Or you can download a copy from the RPA website (www.rpa.gov.uk/crosscompliance).

2.2 How do I claim the HFA?

There will not be a separate claim form to claim HFA 2010. If you wish to receive HFA 2010, you must complete the questions at E3 and sign the declaration at Part I of the SP5. We will use the details you give, as well as any additional information that we may request, to process your claim.

It is important that you list all of your available forage area and any land on which you wish to receive enhancement payment on your Field Data Sheets in Part C under column C12 of your SP5. (Read page 9, Part 4 for further information on land eligible for the enhancement payment.)

Forage area includes SDA land (including SDA land within the Moorland Line), DA land (including DA land within the Moorland Line) and non-LFA land. The eligible forage land use codes for the HFA are:

Land Use Code	Description
PP1	Permanent Pasture
PP2	Permanent Pasture in Conversion
PP4	Permanent Pasture in an agri-environment scheme
TG1	Temporary Grass
TG3	Temporary Grass in an agri-environment scheme

Make sure that you use the correct land use codes. **PP3 is the land use code for the Dehydrated Fodder Crops scheme only. It should not be used for any parcels of permanent grass from which you intend to take a cut for use as animal feed.**

You **must** also enter your livestock details at questions E3 b and c of your SP5. (Read page 5, paragraph 2.6 for further information on eligible livestock.)

2.3 What is eligible SDA forage area?

Eligible forage land is any SDA land (including common land) with a cover of either permanent or temporary grass, which is available to be grazed or have a grass cut taken from it for a period of seven continuous months, starting between 1 January 2009 and 31 March 2009.

To claim the HFA on the land it must be available to you for four of the seven months, although the four months don't need to be consecutive. The minimum of 10 hectares may include common land that lies within the SDA.

If your holding includes land in Northern Ireland, Scotland or Wales (the Devolved Administrations), any payments due on that land will be dealt with by the appropriate Devolved Administration.

Land used for milk production is not eligible for the HFA payment, so we need details of any Milk Quota that you held on 31 March 2009. This will be used to calculate your payment for HFA 2010. (Read page 14, Annex A for an explanation of how this works.)

You should check your Milk Quota statements to make sure that the correct amount of quota has been credited to your business. This will help us process your claim and prevent us from having to reclaim any payments which you are not entitled to.

2.4 How will my land be classified?

The declared forage area from your 2009 SP5 will be divided into the following categories:

- SDA land within the Moorland Line;
- SDA common land;
- Other SDA forage land;
- DA land within the Moorland Line;
- DA Common land;
- Other DA forage land;
- Non-LFA forage land; and
- Non-LFA Common land.

The category of your land will be determined by the information we hold on the Rural Land Register (RLR).

2.5 What is the Moorland Line?

Land within the Moorland Line is mainly semi natural upland vegetation, used mostly for rough grazing. The Moorland Line was drawn using Ordnance Survey (OS) mapped features such as walls, tracks or streams. It was established in 1992 and revised in 2007 to help develop, implement and evaluate policy in the English Uplands.

Contact us if you need information about land within the Moorland Line. Maps showing the Moorland Line are also available online (www.magic.gov.uk). Then use the interactive map feature to complete your enquiry.

2.6 What are eligible cattle and/or sheep?

The cattle that can be included for the HFA are those that form part of a herd used for rearing calves for meat production only. Dairy herds are not eligible. The following conditions apply:

- cattle must be female;
- cattle must either be of a beef breed or be a crossbreed which is the offspring of a cross with at least one parent being a beef breed or a beef/dairy cross. A list of ineligible breeds is included at Annex C;
- cattle must be entered into your records and must meet the Cattle Identification Regulations 2007, be kept up to date and be available for inspection;
- at least 60% of the cattle included in the stocking density calculation must have calved. The other 40% can be made up of heifers over eight months old which have not calved. The number of heifers must not exceed 40% of the total cattle included in the calculation;
- you must own, or have a formal leasing agreement, on the cattle included (which you must produce when asked to do so) and you must have economic responsibility for them; and
- you must keep all the cattle on which you are claiming, or their eligible replacements on your holding for a six calendar month retention period, starting on any day from 1 July 2009 to 31 December 2009.

Any female sheep can be considered as long as they:

- formed part of a flock kept on the holding for any 100 consecutive days starting on any day from 1 January 2009 to 22 September 2009;
- were at least 12 months old or had given birth to a lamb by the end of the retention period;
- were owned by you, or formed part of a formal agreement leasing them to you (which you must produce when asked to do so); and
- were entered into your records which must meet the Sheep and Goat Identification and Movement Order (SAGRIMO), kept up to date and available for inspection.

2.7 How will you work out if my claim meets the minimum stocking rate of 0.15 LU/ha?

Your stocking density is calculated using all of the forage area you declare in Part C under column C12 of your SP5 and the animal numbers provided at questions E3 b and c. This is why you must make sure you tell us about all of your available forage land, not just your SDA forage and SDA Moorland areas. If you don't tell us about all of your land you may find that you are no longer eligible for payment.

Read page 14, Annex A for an explanation of how we calculate your stocking together with a worked example.

2.8 What happens if my stocking rate is below 0.15 LU/ha?

We will write to you explaining what you should do. You may still be paid if you fall into any of the following categories:

- You have additional animals on your holding which would bring you up to the minimum stocking rate. This may be the case if you did not declare all of your animal numbers.
- You have an official agreement which commits you to maintain a low stocking rate. Agreements with Natural England under the Environmental Stewardship Schemes (ELS, OELS, HLS or OHLS), ESA scheme, or CSS are included as are other agri-environmental agreements with Natural England and other official organisations such as National Parks.
- You have entered into the Compulsory Scrapie Flock Scheme (CSFS) and reduced your flock numbers accordingly.

If you have any other reasons for having a low stocking density, write to the HFA Correspondence team, at the address shown on your letter and we will consider your case.

2.9 What is the maximum stocking density that I am allowed?

There is no maximum stocking rate. But, you must manage your land in line with cross compliance requirements (read paragraph 2.10), so you should avoid overgrazing or unsuitable supplementary feeding practices.

2.10 What other conditions must I meet?

You must keep to the same cross compliance requirements that apply under SPS. You must keep your land in Good Agricultural and Environmental Condition (GAEC) and meet the Statutory Management Requirements (SMRs). SMRs are legal requirements about the environment, public health and plant health, animal health and welfare, and livestock identification and tracing. If you don't meet cross compliance requirements, penalties may be applied to your HFA claim, as well as your SPS 2009 claim and any other land based rural development schemes that you are involved with. You can read the details of what is required, including the list of prohibited substances covered by SMR 10, in *The Guide to Cross Compliance in England*.

For a copy of the cross compliance guidance, you can call the RPA Customer Service Centre (CSC) (contact details are inside the front cover), or download a copy from the RPA website (www.rpa.gov.uk).

Part 3: Area Payments

3.1 What are the payment rates?

Payment rates for HFA 2010 will be set once we know both the number of claimants and eligible area. The payment rates for HFA 2009 are shown below **as an indication only**:

- You will receive the full payment rates for your first 350 hectares of eligible SDA land.
- Land in excess of 350 hectares up to a maximum of 700 hectares will be paid at half rates. No payments will be made on land over 700 hectares.

HFA 2009 Payments Rates		
	0 - 350 ha Full Rate	351 - 700 ha Half Rate
SDA Land	£37.34	£18.67
SDA Common/SDA Moorland	£14.14	£7.07

We will publish rates for HFA 2010 when these are available.

3.2 Will you pay on land in a way that maximises the payment that I receive?

Yes, payment will be made according to the payment rate and the hectareage limits shown above. Land will be paid in the following order:

- SDA land;
- SDA land within the Moorland Line; and
- SDA common land.

This means that we will pay on the land which has the highest rate of payment first when counting against the hectareage limits. For example,

Eligible SDA forage land = 600 ha area made up from:

- 300 ha of other SDA; and
- 300 ha of SDA common land.

Using the HFA 2009 payment rates and hectareage limits shown above, the area payment is calculated as follows:

Land	Area (ha)	Payment rate (£/ha)	Payment (£)
SDA	300	37.34	11,202.00
SDA Commons	50	14.14	707.00
SDA Commons	250	7.07	1,767.50
Total	600		13,676.50

Read Annex A for a more detailed example.

3.3 Will I be paid for my SDA common land?

Yes. SDA common land will be eligible for payment at the same rate as SDA land within the Moorland Line. Common Land outside the SDA is not eligible for payment.

3.4 Why are the payments lower for SDA land within the Moorland Line and SDA common land?

The costs of sustainable farming of moorland and common land are generally less per hectare than elsewhere in the SDA, so the payment rates are set to avoid overcompensation. Land within the Moorland Line has more limited agricultural use; it usually involves grazing relatively small numbers of animals over large areas, at low stocking densities. Farms are larger than similar businesses on more favourable land, and higher area payment rates would effectively overcompensate for natural disadvantage. Common land often has a limited agricultural use too, even outside the Moorland Line. The right to use commons also carries with it little in the way of financial burden, so a lower rate of aid is needed to avoid overcompensation.

Part 4: Enhancement Conditions

4.1 What conditions do I have to meet to receive enhancement payments?

To make sure that the HFA contributes to good environmental practice, payments will be increased for those who meet certain environmental conditions. You could receive a 5% increase to your basic the HFA payment if you meet one of the following enhancement conditions or a 10% enhancement to your basic payment if you meet both:

- You maintain at least 1 hectare or 5% (whichever is the smaller) of the SDA land on your holding under **arable** cover that is not receiving other financial support for growing arable crops and was not converted from permanent grassland in or after 2004. We will calculate whether you meet this condition based on the information given in Part C under column C12 of your SP5.
- You maintain at least 1 hectare or 5% (whichever is the smaller) of the SDA land on your holding under **woodland** cover that is not receiving other woodland financial support and was not converted from permanent grassland in or after 2004. We will calculate whether you meet this condition based on the information given in Part C under column C12 of your SP5.

4.2 What land is eligible to enhance your basic payment?

The following land use types will increase your basic payment if they meet the conditions in 4.1 above.

Arable Enhancement

Code	Description
FL1	Flax
HM1	Hemp
OT1	Other

Woodland Enhancement

Code	Description
FR1	Forestry
FR4	Land afforested that was Permanent Pasture on 15 May 2003
NT3	Almonds

Following the introduction of changes to the SPS Regulations, permanent crops (PC1) are now eligible for SPS payment. The PC1 land use code has been withdrawn and all land previously declared as PC1 should now be declared as 'Other' (OT1).

Read the booklet *How to complete your 2009 SP5 application form (incorporating Area Payments for Nuts, Aid for Energy Crops, Protein Crop Premium and 2010 Hill Farm Allowance)*, page 34, Annex B, Additional Notes, for further guidance.

5.1 How will payments be made?

Since 16 October 2008 we will only make payment directly into your bank account by BACS transfer, which is the quickest way of getting payment to you. If you already receive grant and subsidy payments from us in this way, then payment under the HFA will also be made by this method. Even though payment is made directly into your account, you will still receive a remittance advice to show that you have been paid.

5.2 Will there be any on farm checks?

We will check to make sure that you meet the rules of the scheme, including cross compliance. You must allow us to inspect your holding areas, to check your farm records, measure your land and count your animals at any reasonable time. Inspection visits may occur without notice. If you refuse to allow an inspection, obstruct an inspecting officer or fail to give reasonable assistance this will lead to a loss of payment and you may be prosecuted.

On farm checks may identify areas of ineligible features that have not previously been deducted from your declared land parcel areas. Please remember that you are responsible for making sure that any area based applications you submit in the future take account of ineligible features that are identified during inspection. Failure to make the appropriate deductions from future applications will result in reductions being made and, where appropriate, the application of penalties.

5.3 What is the legal basis of the scheme?

HFA 2010 implements Article 36(a)(ii) of Council Regulation (EC) 1698/2005 and the relevant parts of Chapter V of Council Regulation (EC) 1257/1999. The detailed scheme rules are contained in the Commission Regulations covering Transitional Support (Commission Regulation (EC) 1320/2006), Implementation (Commission Regulation (EC) 1974/2006) and Controls (Commission Regulation (EC) 1975/2006), all as amended.

Payments will be made under the proposed HFA Regulations 2010. Read page 17, Annex B for the list of current relevant legal provisions.

5.4 What if I have a complaint about RPA administration?

If you are not satisfied with the way we have dealt with your payment, contact the RPA CSC. We will make sure that your complaint is investigated fully and that you receive an explanation of our findings. If you are dissatisfied with the outcome, we will tell you how to take your complaint further.

5.5 Data Protection - Will details of my application be passed by RPA to anyone else?

Defra is the data controller in respect of any personal data that you provide to RPA.

Your personal data will be protected in line with the Data Protection Act 1998. We will use the data:

- to support the application to which it relates;
- in the case of the Cattle Tracing System (CTS) to register cattle and their movements and to confirm the existence of a full animal history;
- for the administration of the Common Agricultural Policy (CAP), and other schemes administered by RPA and to keep you informed of developments within schemes;
- in relation to the production and safety of food;
- in relation to the management of land and other environmental controls;
- in relation to animal health and welfare; and
- in relation to occupational health and welfare.

When it is necessary to do so, we may pass data to other organisations. For example:

- to HM Revenue & Customs for import or export purposes;
- to local authorities for milk, health or cross-compliance purposes; or
- to the Environment Agency, Natural England and the Forestry Commission for the administration of the CAP.

We may also use the data we collect to produce statistics for the agricultural census. However, these statistics will not identify individuals.

RPA may be required to release information (including personal data and commercial information) under the Environmental Information Regulations 2004 and the Freedom of Information Act 2000. We are committed to continuing our existing policy of releasing information on subsidies paid to individuals and businesses under CAP schemes.

You should also note that the European regulations on the financing of the CAP have changed. We are required to publish the name, town, first part of the postcode and amounts of direct payments paid to all CAP beneficiaries. This information is be required to be published for payments made from January 2007 for European Agricultural Fund for Rural Development (EAFRD) and October 2007 for European Agricultural Guarantee Fund (EAGF) schemes.

Defra or its agents, including RPA, may use your name, address and other details to contact you in connection with occasional customer research aimed at improving the services that we provide to you.

To obtain a copy of your personal data as held by RPA, go to www.rpa.gov.uk and click on 'Access to information', then 'Personal data'. RPA's public service guarantee on data handling, which sets out your rights in respect of the handling of your personal data, is also available online, or call the RPA CSC.

If you believe that any of the information we hold concerning you is incorrect or out of date, please provide us with the accurate information in writing together with supporting evidence (if appropriate). Send the information to:

Access to Information Helpdesk
Rural Payments Agency
PO Box 69
Reading
Berkshire RG1 3YD.

5.6 Will any penalties be applied?

Penalties, reductions or exclusions may be applied to your claim if it is:

- submitted after the deadline (midnight on 15 May 2009);
- found to be in breach of scheme rules (for example, the area determined (found) after validation is less than the area claimed); or
- found you have not met cross compliance requirements.

If you submitted correct information or can show that you are not at fault for breaching any or all of the above, your claim will be adjusted to show this and penalties will not be applied. You can find more information in the *SPS Handbook and Guidance for England 2009 (incorporating Area Payments for Nuts, Aid for Energy Crops, Protein Crop Premium and 2010 Hill Farm Allowance)*, sections N28 – N36.

Late application penalties

If you intend to apply for HFA 2010 you need to complete an SP5, which you must return to us by 15 May 2009. If we receive your application after this date a penalty will be applied. This means for every working day your claim is late, a reduction of 1% of the amount due to you, will be applied, based on the validated SDA land declared on your SP5 in Part C under column C12. Applications received after 9 June 2009 will be rejected.

Discrepancies with areas you have declared in C12

We cannot pay you on an area greater than you declare in Part C, under column C12 of your SP5. If the area of a crop group is determined to be greater than you have claimed in C12, we will use the area you have claimed to calculate your payment.

For the HFA, the crop groups are:

- SDA; and
- SDA Moorland and/or SDA Common Land.

Discrepancies within crop groups

If the area of a crop group is determined to be less than you claimed, your payment will be based on the area determined.

If the difference is greater than 2ha or 3%, but less than or equal to 20% of the area determined, a penalty of twice the difference between the area claimed and the area determined will be applied to your claim.

If the difference is equal to more than 20% of the area determined, no payment will be made on that crop group.

Example

SDA forage claimed = 100ha

SDA forage determined = 94ha

Difference between claimed and determined SDA forage = 6ha

The difference is equal to $(6/94) \times 100 = 6.38\%$ of the determined area.

As the difference is greater than 2ha or 3%, but less than or equal to 20% of the determined area, payment will be based on determined area minus twice the difference =

SDA forage payment based on 94ha – (2 x 6ha) = 82ha

Discrepancies across the crop groups

If the difference between the area you claimed and the area determined for all crop groups on your claim is greater than 30% of your determined area, your claim will not be paid for that scheme year.

If the difference is equal to more than 50% of the determined area of your claim, you will not receive any payment on it for the scheme year concerned. Additionally, we will recover an amount equal to the value of the overclaim on your HFA 2010 claim from any claims you lodge under either SPS or Rural Development schemes during the course of the next year. If the value of these claims is not enough to repay the amount outstanding, we will continue to deduct from the following two year's payments until the total amount is repaid.

Example

SDA forage claimed = 100ha

SDA Moorland forage claimed = 100ha

SDA forage determined = 70ha

SDA Moorland forage determined = 75ha

Difference between claimed and determined area of your claim = 55ha

The difference is equal to $(55/145) \times 100 = 37.93\%$ of the determined area.

As the difference is greater than 30% of the determined area, no payment will be made on the claim for this year.

The table below shows the penalties which apply to the HFA claims. At the time of going to print, the EU regulations relating to scheme penalties were being reviewed by the Commission. We will issue revised guidance if the penalty provisions change.

Penalty	Effect
The difference between the crop group area determined and the area claimed is less than or equal to 2ha or 3%.	No penalty is applied and the area paid is the determined area.
The difference between the crop group area determined and the area claimed because of an over declaration, is more than 2ha or 3%, but less than or equal to 20% of the determined area.	A penalty of twice the difference between the determined and claimed areas is applied to the found area for the crop group concerned.
The difference between the crop group area determined and the area claimed because of an over declaration, is greater than 20% of the determined area.	No aid will be paid for the crop group concerned for the scheme year concerned.
The difference between the determined area of all your crop groups and the claimed area because of an over declaration, is greater than 30%, but less than or equal to 50% of the determined area.	No aid will be paid on the claim for the scheme year concerned.
The difference between the determined area of all your crop groups and the claimed area because of an over declaration, is greater than 50% of the determined area.	No aid will be paid on the claim for the scheme year concerned and a sum equal to the amount overclaimed will be deducted from subsequent claims.
The difference between the determined area and the claimed area results from overdeclarations that have been intentionally made.	No aid will be paid on the claim for the scheme year concerned.

A breach of the cross compliance requirements and/or other scheme rules could result in penalties being applied to your claim. The size of the penalty applied will be determined by the intent, severity, extent, permanence and frequency of the non-compliance. This is intended to deter any further breaches. Further information can be found in *The Guide to Cross Compliance in England*.

Anyone who is receiving the HFA who is found to have artificially created the condition to obtain a payment will not receive any payment for the scheme year concerned.

Annex A: Stocking Density; An Example Calculation

We will use information given on your 2009 SP5 about animals kept on your farm for the relevant retention period and information as to Milk Quota held on 31 March 2009, to determine your HFA 2010 stocking density.

1. Start with forage area

We will start with the total forage area declared on your 2009 SP5, including non-LFA forage area and common land. Although payment is limited to 700ha of eligible land, your stocking density will be calculated across your total LFA forage area, which may exceed 700ha.

2. Remove land used to support dairy farming

We will then remove land notionally used to maintain dairy production as this land is specifically excluded from the HFA payments. We will take the Milk Quota you held on 31 March 2009 and convert it to LUs at a rate of 5.9 tonnes = 1 LU. This will be calculated to three decimal places.

Where you have declared that you have non-LFA land, we will assume that your dairy cattle are maintained on that land. Using a stocking rate of 1.8 LU/ha for non-LFA forage area and 1.0 LU/ha for non-LFA commons, we will calculate how much non-LFA land is needed to support the dairy herd, and remove it from the total forage area.

If there is not enough non-LFA land to accommodate the whole herd, we will calculate how much DA forage is used for the dairy herd using a stocking rate of 1.4 LU/ha. This land will also be removed from the total forage area. If there are still dairy units remaining, we will then calculate how much DA Moorland and DA commons are used up, using a stocking rate of 1.0 LU/ha.

If any dairy units still remain after removing any DA land you have declared, we will calculate how much SDA Moorland and then SDA commons are notionally used to maintain your dairy herd, using a rate of 1.0LU/ha. If any dairy units remain after the removal of the SDA Moorland and/or commons, we will calculate how much SDA forage is required to remove the dairy units. This land will also be removed from your total forage area.

The amount of LFA land remaining after these adjustments will be used to calculate your stocking density, to determine if it falls below 0.15LU/ha.

3. Calculation of animal numbers

We will take the number of sheep declared on the HFA section of your 2009 SP5 and convert it to LUs.

An eligible ewe = 0.15 LU each.

We will also take the number of cattle declared on your 2009 SP5 and convert it to LUs at the following rates.

A suckler cow, or heifer over two years old = 1.0 LU

We will add the sheep and cattle figures together to give the number of LUs used in the calculation. Details of heifers are not asked for on the 2009 SP5 and will only be requested if the older cows do not meet the stocking density requirement. A heifer aged up to two years on the first day of the retention period will be equal to 0.6 LU.

4. Final stage

We will assume that any remaining non-LFA land is stocked at a rate of 1.8 LU/ha and non-LFA common land at 1.0 LU/ha. We will calculate how many LUs are maintained on the non-LFA land and subtract them from the number of suckler cow and sheep LUs already calculated. We will then divide the remaining number of livestock units by the remaining LFA forage area to give the stocking rate for your holding.

5. What will be done with this stocking rate?

If your the HFA stocking density is below 0.15 LU/ha, then we will need further information from you to decide if you qualify. We will send you the details about the land area, declared animals and Milk Quota data that we have for your holding. You will be asked to provide details of the following information:

- Additional animals (including heifers between eight months and two years old) which you have not already declared on your 2009 SP5 and which meet the eligibility conditions. To consider additional eligible sheep for the HFA, they must have been on your holding for a retention period of 100 consecutive days starting between 1 January 2009 and 22 September 2009. To consider additional eligible cattle they must have been kept for a six month retention period starting from any date between 1 July 2009 and 31 December 2009.
- Official environmental agreement. If this is a Defra scheme we will just ask you which one, but if it is administered by anyone else, such as the County Council, we would like a copy of the agreement signed by both parties.
- Entry in the Compulsory Scrapie Flock Scheme (CSFS). You may have reduced your flock numbers as a result of entry into the scheme.
- Any other reason which explains your reduction in stocking.

Calculating Stocking Density – a worked example

The box below shows an example of claimed details and how these would be used to calculate stocking density.

Total Area	400 ha
Milk Quota (tonnes)	2,029.670
Non LFA forage	150 ha
Non LFA Commons	0 ha
Disadvantaged Land	50 ha
Disadvantaged Moorland	25 ha
Disadvantaged Commons	0 ha
Severely Disadvantaged Land (Moorland)	50 ha
Severely Disadvantaged Land (Commons)	25 ha
Severely Disadvantaged Land	100 ha
Suckler Cows	110
Ewes	57

Hill Farm Allowance Explanatory Booklet

1. Convert the Milk Quota (MQ) to Livestock Units using the following formula for average yield:
5.9 tonnes = 1 LU,
Milk Quota Held/Average Yield = Livestock Units,
 $\Rightarrow 2,029.670 / 5.9 = 344.01 \text{ LUs}$
2. Where you have declared that you have non-LFA land, we will assume that your dairy cattle are maintained on that land. Using a stocking rate of 1.8 LU/ha for non-LFA forage area and 1.0 LU/ha for non-LFA commons, we will calculate how much non-LFA land is needed to support the dairy herd, and remove it from the total forage area.
Non LFA Forage Area x Non LFA Stocking Rate = LU maintained on Non LFA forage
 $= 150 \times 1.8 = 270 \text{ LU}$
Now subtract this figure from the total MQ LUs
 $= 344.01 - 270 = 74.01 \text{ LUs}$
3. If there is not enough non-LFA land to accommodate the whole herd, we will calculate how much DA forage is used for the dairy herd using a stocking rate of 1.4 LU/ha. This land will also be removed from the total forage area.
 $\text{DA LUs} = 50 \times 1.4 = 70 \text{ LUs}$
Now subtract these figures from the MQ LUs remaining (192.66 LUs)
 $= 74.01 - 70 = 4.01 \text{ LUs}$
4. If there are still dairy units remaining, we will then calculate how much DA Moorland and DA commons are used up, using a stocking rate of 1.0 LU/ha.
 $\text{DA Moorland} = 25 \times 1.0 = 25 \text{ LUs}$
Now subtract these figures from the MQ LU's remaining (74.01 LUs)
 $= 25 - 4.01 = 20.99 \text{ LUs}$
5. Convert your animal numbers to LUs and subtract the remaining figure for DA Moorland's LUs from the conversion total.
 $1 \text{ cow} = 1 \text{ LU} = 110 \times 1 = 110$
 $1 \text{ ewe} = 0.15 \text{ LU} = 57 \times 0.15 = 8.55$
 $\text{Total animal LUs} = 110 + 8.55 = 118.55$
Add together the remaining DA forage area and the SDA forage areas
 $= 20.99 + 175 = 195.99$
6. To calculate your stocking density on your eligible forage area, divide the animal LUs remaining by the total SDA/DA forage area remaining
 $= 118.55 \div 195.99 = \mathbf{0.60\text{LU/ha}}$

Annex B: Legislation

Regulation number	Description
1257/1999	Council Regulation setting out the framework for Rural Development
1698/2005	Council Regulation setting out the framework for Rural Development, which partially repeals Council Reg. 1257/1999
1782/2003	Council Regulation setting out the framework for the Integrated Administration and Control System and Single Payment Scheme
73/2009	Council Regulation establishing common rules for direct support schemes for farmers under the common agricultural policy and partially repealing Council Reg. 1782/2003
1320/2006	Commission Regulation setting out the rules for transition to the rural development support provided for in Council Regulation 1698/2005
1974/2006	Commission Regulation setting out the detailed rules for the implementation of Council Reg. 1698/2005, as regards the implementation of the control procedures as well as cross-compliance in respect of rural development support measures
1975/2006	Commission Regulation setting out the detailed rules for the application of Council Reg. 1698/2005
795/2004	Commission Regulation setting out the detailed rules for the Single Payment Scheme
796/2004	Commission Regulation setting out the detailed rules for the implementation of Cross Compliance, Modulation, and the Integrated Administration and Control System

Domestic provisions	Description
SI 2007/75	Statutory Instrument setting out the Rural Development (Enforcement) (England) Regulations 2007
SI 2007/3493	Statutory Instrument setting out The Sheep and Goats (Records, Identification and Movement) (England) Order 2007
SI 2005/3459	Statutory Instrument setting out the Common Agricultural Policy Single Payment and Support Schemes (Cross Compliance)(England) Regulations 2005
SI 2006/3254	Statutory Instrument setting out the Common Agricultural Policy Single Payment and Support Schemes (Cross-compliance) (England) (Amendment) Regulations 2006
SI 2007/529	Statutory Instrument setting out the Cattle Identification Regulations (2007)

An effective Statutory Instrument will be in force for HFA 2010.

Annex C: Ineligible Cattle Breeds

Angler Rotvieh (Angein) – Rød dansk mælkerace (RDM)

Ayrshire

Armoricaïne

Bretonne Pie-Noire

Friesians: Fries Holland (FH), Française frisonne pie noire (FFPN), British Friesian, Friesian-Holstein, Holstein, Black and White Friesian, Red and White Friesian, Frisona Italiana, Frisona Espanola, Zwartbonten van België/Piènoire de Belgique, Sortbroget dansk mælkerace (SDM), Deutsche Schwarzbunte, Schwarzbunte Milchrasse (SMR)

Groninger Blaarkop

Guernsey

Jersey

Malkekorthorn

Reggiana

Valdostana Nera

Itasuomenkarja

Lansisuomenkarja

Pohjoissuomenkarja

Annex D: Glossary of terms

CSC	Customer Service Centre
CSS	Countryside Stewardship Scheme
CTS	Cattle Tracing System
DA	Disadvantaged Area
Defra	Department for Environment, Food and Rural Affairs
ELS	Entry Level Stewardship
ES	Environmental Stewardship
ESA	Environmentally Sensitive Areas
GAEC	Good Agricultural and Environmental Condition
HFA	Hill Farm Allowance
Ha	Hectare
HLS	Higher Level Stewardship
LFA	Less Favoured Area
LU	Livestock Unit
OELS	Organic Entry Level Stewardship
OFS	Organic Farming Scheme
RDPE	Rural Development Programme for England
RDR	Rural Development Regulations
RPA	Rural Payments Agency
SDA	Severely Disadvantaged Area
SMR	Statutory Management Requirements
SPS	Single Payment Scheme
UTP	Uplands Transitional Payment

Cover photographs © Natural England (Peter Wakely and Paul Glendell) and Mary Colvill.

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Published by Department for Environment, Food and Rural Affairs.
Printed in UK, February 2009, on material that contains 100% recycled fibre
for uncoated paper or a minimum of 75% recycled fibre for coated paper.

HFA 10
March 2009

