

NON-PAPER

Special Entitlements and “landless farms”

1. State of the discussion

A number of member states have highlighted difficulties with the current proposal for special entitlements. (Art. 50) This sought to address the allocation of entitlements to farms with little or no land, resulting in very high levels of entitlement per hectare. (“landless farms”). These problems can be summarised as follows:

- *Special entitlements are currently not transferable* except by actual or anticipated inheritance except for those special entitlements arising exclusively from the goats and sheep scheme.
- In certain member states, the payments of such high levels of support without the possibility to ensure a certain level of agricultural support might not *be socially acceptable*.
- The *coexistence of two different systems* of entitlement could lead to administrative difficulties.

In principle, the problems of transferability and social acceptability could be addressed by adaptation of the conditions applicable to the special entitlements. However, the question of the administrative difficulties arising from two systems could only be dealt with by integrating the entitlements for “landless farms” within the normal system.

2. Approach 1: Adaptation of special entitlements

The special entitlements would be calculated as currently foreseen in art. 51.

The activation of the special entitlement would be made conditional on the maintenance of the agricultural activity at a comparable level (comparable = \pm [50 %] of reference level expressed in terms of livestock units).

The transfer of entitlements could be envisaged. Such entitlements could, however, only be activated on farms meeting the condition of maintenance of activity at a comparable level.

3. Approach 2: Integration of “landless farms” into normal entitlement system.

a) Calculation of entitlements:

Normal payment entitlements would be allocated to all farmers including those receiving a high level of support but with no or only a few eligible hectares (“landless” farmers).

A ceiling would be placed on unit value of payment entitlement (i.e. [€5.000] per hectare)¹. If the normal calculation (reference amount divided by hectares of reference

¹ This amount has been taken as an example. Further analysis would be required to examine the appropriate level, which in practice should probably be higher. Such an increase

- would reduce the number of farmers subject to the derogation;
- it would also reduce the new additional hectares of entitlement.

area) led to a unit value above [€ 5.000], then the number entitlements would be calculated on the basis of the ceiling. These entitlements would be of the same nature as normal entitlements (unlike in the current proposal). The consequence of such a ceiling and recalculation of entitlements would be to allocate to the farmers concerned more entitlements than they have land, thereby lowering the per hectare value of each entitlement.

b) Derogation

Normally farmers would require land equivalent to their entitlements in order to activate his entitlements.. However, farmers who fall in this category would be able to request a derogation from the obligation to provide a number a number of eligible hectares equivalent to the number of entitlements as a condition for payment. (i.e. a derogation from Article 47.1). All other obligations under the horizontal regulation would apply. (e.g. cross-compliance, maintenance of land in good agricultural condition, participation in the farm advisory service).

This derogation could be made conditional on the maintenance of the agricultural activity at a comparable level (comparable = \pm [50%] of reference level expressed in terms of livestock units).

If the condition (comparable level of activity) is not or no longer met, the derogation would be withdrawn. The entitlements would become subject to article 47.1 again. The farmer would then have to buy or rent land in order to activate the entitlements, which exceed the number of his eligible hectares, or he would have to sell his entitlements.

Example: An intensive livestock farmer receives in the reference period € 105.000 and has only 5 ha. He would receive 5 entitlements of [€5.000] corresponding to his land.

There would remain an additional € 80.000 for which the farmer would have no corresponding land. The farmer would therefore be allocated an additional 16 entitlements of [€ 5.000] calculated on the basis of the ceiling. For the farmer to activate these entitlements he would need to fulfil the conditions of the derogation i.e. maintenance of activity.

c) Transfers

Entitlements would be tradable in the normal way. In principle, the purchaser would then need to have the corresponding number of hectares in order to activate all entitlements. However, where the purchaser has taken over the whole business and fulfils the condition of the derogation, he too would benefit from it.