

Landowners

Organisation

COMMISSION REVIEW OF LIVESTOCK PREMIUM QUOTA RULESIntroduction

The European Landowners Organisation exists to contribute to the policies of the European Union in providing a prosperous and attractive countryside and to ensure that its members can make a positive contribution to the economy and environmental management of rural areas.

The ELO's national constituent organisations are found in 14 of the 15 Member States and represent the interests of millions of landowners throughout Europe. Many members are directly involved in farming, and many others are directly involved through the use of their land.

We understand that the Commission is reviewing the rules of the livestock premium quota schemes with a view to simplifying them. The ELO believes that the way forward for the CAP is less supply management, but this paper outlines the changes that the ELO would wish to see covered by the Commission review.

Sheep and Suckler Cow Premium Quotas

Given the continuing need to apply supply controls, the ELO would like to see a much more simplified scheme for sheep and suckler cow premium quotas. The ELO would prefer to see a system similar to the Beef Special Premium Scheme (BSPS), but without the modulation effect, where the breach of a national limit on claims would enforce an even reduction in payments to all across the board. Such a system would solve quota transfer, national reserve and landowner/tenant problems currently associated with livestock premium quotas.

In those Member States where quota has assumed a value, the amount of capital required to take on a sheep farm has greatly increased. With a change in the Commission's definition of eligible ewe to include ewe lambs, the market value for sheep quota has gone up whilst the amount of available quota has dropped. This has also resulted in productive quota being taken away from breeding sheep. The question of how the next generation are going to finance the extra burden is a concern.

Link to the Land

Where the Commission is unwilling or unable to achieve a move to the BSPS system, the ELO would ask the Commission to strengthen the link of quota to land.

Landlords Compensation

Failing either complete abolition of quotas or strengthening of the link to the land, the ELO would like to see a more equitable system of compensation for landowners when tenants remove quota from their land and there is a consequent loss in land and rental value.

Unused Country Quota

Where there is uneven distribution/utilisation of quota such that some Member States have large stocks of unused quota, whilst others are in deficit, mechanisms should be examined to enable the temporary transfer from National Reserves of surplus countries into those of deficit countries.

Cross Border Leasing

To implement the above, ELO would ask for the ability, to lease quota across state borders, on a yearly basis. In this way each Member State's long term position would be protected, whilst allowing EU production to operate to greater overall efficiency.

Sheep Producer Groups

ELO recommends that sheep producer groups be able to treat all their ewe premium quota as a 'business asset' and that for the purposes of the Livestock Premium quota regime be treated as single legal entities, rather than individuals holding quota separately within the business. We are aware that the Commission opposed such changes last year but promised to review the situation in the context of this year's review. This would solve problems of transfer of quota within producer groups.

The current situation is causing confusion and obstruction too within partnership transfers, due to operation of the siphon. If producer groups cannot hold quota as a business, transfers of quota between partnership members ought to be exempt from the siphon. The requirement for producer groups to remain together for three years in order to avoid the siphon should be removed.

Position of Executors

Application of the siphon occurs following the death of a producer and where the Executor of an estate hands on quota to any beneficiary without all the land. It would similarly apply where beneficiaries all receive land but only some receive quota. The system thus imposes unnecessary rigidity on partnerships who might otherwise wish to restructure prior to a period of three years. This is especially so in family situations and where each beneficiary would wish to set up on his own.

Operation of the Siphon

The siphon rules should only apply in relation to land farmed for livestock, rather than covering all enterprises owned by the same producer even where geographically separate and in different forms of production as now. The present system, which means the siphon operates unless all quota and all land owned or farmed by the producer are transferred together, is unnecessarily restrictive.

It is likely that operation of the siphon will discourage landowners with quota entering into genuine tenancy agreements on part of their land. This is because an initial 15% siphon

would be incurred when a landowner-producer transfers quota to a tenant and a further 15% siphon at the end of the agreement when the quota is transferred back to the landowner-producer farming in hand.

Less Favoured Area (LFA) Designation of a Farm

The LFA designation relates to all of the land held by a producer and is calculated according to where the greater area of his land lies. As such, if a farmer changes the balance of his enterprises such that over 50% of land farmed then falls outside the LFA, he will be obliged to sell all his LFA quota and buy in non LFA quota, whilst also incurring the siphon, because no land is transferred. This is both cumbersome and expensive. ELO would ask that the ability to do this through the national reserve be made possible, such that producers do not incur extra expense and loss of quota.

Share Farming

Share farming agreements are more common in the UK than the rest of the Community. They are, however, particularly important in view of their encouragement in getting new entrants into the industry. In such agreements the landowner, as well as the share farmer, should be recognised as 'producers' and therefore able to hold quota. The Commission have refused to accept this point in the past, but it is time for a review of the issues.

National Reserves

In those Member States where quota is commercially traded, when National Reserves become depleted, Member States should have the ability to buy up quota on the open market which they can then reallocate to Reserve applicants. This could be done outside the normal trading periods to avoid negative impacts on the market for quota.

Landowners and Quota

ELO recommends that landowners be given the ability to acquire and hold quota (with exemption from all siphon and usage rules) in between departure of one tenant and arrival of the next and for covering all associated transfers between tenants and landowners.

**ELO POLICY GROUP
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**Any comments or queries on this submission should be addressed to the
Chairman of the ELO Policy Group at the address below.**

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