



European and External Affairs Committee

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Evidence to the National Assembly for Wales' European and External Affairs Committee on the European Commission's legislative proposals for the Common Agricultural Policy Health Check 2008

Introduction

1. NFU Cymru represents some 15,000 members in Wales and is grateful for the opportunity to present evidence to the National Assembly for Wales' European and External Affairs Committee on the European Commission's legislative proposals for the Common Agricultural Policy (CAP) Healthcheck 2008.

2. Having only emerged relatively recently from a round of CAP reform in 2003, we would stress that we very much see the 2008 CAP healthcheck as an opportunity to fine tune the future direction of the CAP, rather than an opportunity to attempt any radical overhaul.

The SPS model

3. Wales' livestock and milk sectors remain under significant economic pressure due to rising input costs as well as recent disease outbreaks. NFU Cymru considers it imperative that there is a period of stability in the industry so that farmers are able to manage their businesses to best effect.

4. As we indicated in our consultation response to the Welsh Assembly Government earlier this year, NFU Cymru is committed to the extension of the historic SPS model currently in operation in Wales, and it has always been our understanding that the historic model would prevail until 2013. We cannot see any benefit in moving to a flatter rate system, and such a move would have no effect upon the total SPS budget, but would merely result in the re-distribution of funding without any objective basis for doing so.

5. In defence of Wales' historic approach we would point to the fact that total SPS allocations to member states and territories will until 2013 at least, continue to be based upon historical calculations, as indeed are rural development budgetary allocations. We would also add that milk quotas, first introduced in 1984, will by 2015 have operated for 31 years on a purely historic basis.

6. In addition, Wales' historic payment system has, broadly speaking worked well in terms of getting payments to farmers within time, particularly when compared to England's area based system.

Arrangements post 2014

7. If sometime during the next EU financial perspective 2014 - 2020 SPS were to become an area based payment, we would consider it essential that a transitional period should be set to provide for a phased change in order to ease the transition beyond 2013. Without knowing the precise direction of policy travel, nor how the EU CAP budget might appear post 2013 it is difficult to envisage what such a transition might look like. NFU Cymru would however argue that the transition period needs to be as long as possible whilst keeping the transitional arrangements themselves as simple and unbureaucratic as possible.

Cross Compliance and Set-aside

8. NFU Cymru is very much opposed to the introduction of any additional Statutory Management Requirements (SMRs) to the existing ones. We are firmly of the view that introducing additional requirements will make a cross compliance regime which is already unwieldy totally unmanageable. In our view existing as well as proposed new SMRs should be reviewed against several key tests including:

Proportionality - do breaches of the relevant standard represent critical failures in achieving public policy goals?

Effectiveness - is cross compliance the most effective tool to promote the public good purportedly under threat?

Administrative Burden - given the commitment to reduce bureaucracy both existing and new obligations should be rationalised

Consistency - whilst local conditions and considerations will lead to variations in GAEC standards this shouldn't be the route taken to enhance SMRs

9. With regard to the Statutory Management Requirements (SMRs), NFU Cymru does not believe that the Commission's proposals go far enough. They merely remove reference to certain aspects of the habitats directive and one duplicating SMR relating to animal ID. NFU Cymru would like to see more ambitious plans by the Commission and suggest that the following SMRs are rescinded

SMR 3 - Sewage sludge, could be deleted as regulations have little or no relevance to Wales

SMR 10 - Could also be deleted as there is no evidence of abuse of restricted substances

SMR 11 - Could be refined to sift out those requirements which rarely apply to farmers e.g. food withdrawal, recall from market

SMRs 13, 14 & 15 - Could be deleted as the effectiveness of cross-compliance as a means of enforcing exotic disease reporting is questionable. It is difficult to prove there was negligence on the part of the farmer, and enforcement is of little value once outbreak has occurred.

10. Annex III of the Commissions proposals extend some GAEC conditions beyond those currently exercised in Wales, e.g. buffer strips along water courses and landscape features such as ponds and fields margins. NFU Cymru is opposed to the introduction of further GAEC requirements.

11. Set aside was introduced as a means of controlling the over-production of cereals. Current concerns are very different to those of 15-20 years ago, and centre not around surpluses but on the sufficiency of global food supply. We are firmly of the view that farmers should be allowed to produce according to market demand, and not be constrained by such measures. We are pleased at the strong signals that have come out of Europe indicating the highly probable, permanent abolition of set aside. Wales' area of set aside is small (approximately 4500 Hectares) compared to England's 366,000 hectares. Whilst it looks likely that Defra will introduce additional cross compliance measures in order to try and compensate for the loss of set-aside, we would consider the introduction of such measures in Wales to be completely disproportionate in terms of the burden they will place on farmers and regulators, whilst delivering little if any environmental benefit.

Minimum Payments

12. NFU Cymru sees merit in the setting of minimum thresholds of SPS payments. The European Commission's proposals are for a de minimis payment of €250 and/or 1 hectare claim area. The Welsh Assembly Government proposes a de minimis claim threshold of €500 or a minimum claim area of 5 hectares. NFU Cymru would want to see SPS remain with 'commercial' farmers who rely on farming for their livelihood

13. NFU Cymru does not support the capping of payments. We consider the amount of SFP that a farm receives to be relative to the level of public benefits that it delivers, with higher payments reflecting the higher overall cost of delivering these benefits on larger farms. Many larger farms also support more than one farming family and may well employ staff. We would consider capping of payments to be expensive and poor investment of effort on the part of the Welsh Assembly Government, for example the imposing a cap on payments of €100,000 would generate a sum of just £420,000. In addition capping of payments could lead to the artificial splitting of businesses, something which would run counter to the business efficiency that the Welsh Assembly Government is trying to drive through Farming Connect.

National Envelope

14. NFU Cymru does not support the establishment of National envelopes in Wales. We view National Envelopes as analogous to modulation, with the scope to deduct up to 10% of a farmers' SFP entitlement without any requirement for match funding by the member states/territory. This could well lead to the redeployment of further funds from Pillar 1 to Pillar 2, and furthermore the national envelope could also act as a mechanism to establish funds for animal or plant disease compensation, leading to the sharing of cost but not responsibility through the back door. We do not consider the creation of a national envelope to be consistent with the principles of decoupling.

Modulation

15. NFU Cymru is opposed to the principle of modulation. Proposals for progressive modulation mooted in the healthcheck also give us cause for concern, we believe that it will merely add to the complexities of the regime and its administration by the Welsh Assembly Government. The UK and Portugal are the only EU member states to levy voluntary/domestic modulation. We are pleased at proposals by the European Commission which mean that any increase in the current 5% level of compulsory EU modulation should be accompanied by a commensurate reduction in the amount of voluntary modulation applied by the Welsh Assembly Government. We believe that this will help create a more level playing field between farmers across the EU's 27 member states. We also welcome proposals that any additional monies raised through modulation are to remain within the member state from which they originate.

If however voluntary/domestic modulation is to remain in force despite current EC proposals then NFU Cymru considers it important that rates continue to be set at a regional (i.e. Wales) level, rather than at a member state (i.e. UK) level.

16. The issue of the funding of Wales' Rural Development Plan raises a more fundamental issue, namely that the UK and therefore Wales' share of Pillar 2 spending has been and continues to be significantly below the average for other Member States. The distribution of Wales' Rural Development budget is something which has to be addressed and it is essential that at the next budgetary review a more objective and equitable basis for the allocation of core funding for Pillar 2 is determined. Otherwise this will continue to drive modulation as a means of making good financial disparities in Pillar 2 funding.

Increasing milk quota

17. NFU Cymru is in support of the soft landing that gradual increases in quota will create between now and the end of the quota regime in 2015; however any market volatility may necessitate a review of the transitional process.

Climate change, water management, bio-diversity and bio-energy

18. Farmers already contribute significantly to these activities through participation in various schemes operating at both local and national level. Clearly Welsh agriculture has an important future role to play in mitigating the effects of climate change, in water management as well as contributing positively to both bio-diversity and bio-energy. Farmers need the right incentives in order to do this, and we do not see these as discreet or separate objectives, but feel that they should be built and integrated into a whole spectrum of activity including Axis 1 and 2 measures.

Part Payment of SPS

19. The CAP Healthcheck proposals contain a useful provision allowing for the payment of SPS in two instalments. Provided that the use of such a provision did not delay payment of the bulk of payments at the opening of the payment window then we would see this as a potentially useful provision to allow for the part payment of a claim that had not been fully verified. This would help mitigate some of the difficulties experienced by SPS recipients when payments are delayed. We hope that the Welsh Assembly Government might explore this possibility further with European officials.