

Rural Development Sub-committee

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A Review of Land Management Actions under Axis 2 of the Rural Development Plan for Wales 2007-13: Submission by National Farmers' Union Cymru

Introduction

1. NFU Cymru which comprises of some 15,000 members welcomes this opportunity to submit written evidence to the Rural Development Sub-Committee on the review of Axis 2 measures. The Minister for Rural Affairs launched a consultation on the document "Sustaining the Land" on 29 September 2008 with a closing date for comment of 19 December 2008. NFU Cymru is currently consulting its members at county level on the contents of this document and any views here expressed can be regarded as no more than preliminary pending agreement by the Union's Rural Affairs and LFA Boards of the Union's formalised position in December 2008.

Backdrop

2. The EU Financial Perspectives settlement for the current programme period 2007-2013 includes a commitment to review all aspects of EU spending including the CAP and the UK rebate and discussions will commence in earnest next year.

3. NFU Cymru envisages that some Governments will wish to see more radical proposals - compared to the current Health Check, which is likely to produce little more than a tinkering at the edges - and a shift in the focus of spending from pillar 1 (SFP) to pillar 2 (rural development measures) although given recent concerns over global food security the pressure for this may be less than would have been expected some 12 months ago.

4. The EU's Rural Development Budget for 2007-2013 has been reduced from €88.75bn to €69.75bn and this coupled with the fact that the UK settlement for the current programming period is only 3.5% of the EU Rural Development budget leaves Wales in a position where there are less resources available to do more given the wider scope of the Rural Development Regulation.

5. The allocation of just 3.5% of the EU Rural Development budget which reflects in the pro-rata allocation of financial resources to Wales has been a source of bitter disappointment and NFU Cymru has long contended that the Welsh Assembly Government should put pressure on the UK Government to negotiate a more equitable deal though it fears that UK Government's attitude to CAP Reform and to the rebate issue has the potential to undermine a satisfactory outcome to this issue.

6. A direct consequence of the Government's failure to negotiate a reasonable Rural Development settlement at a European level has been the introduction, in the UK, of voluntary modulation of SFP receipts in addition to EU compulsory modulation to produce resources to prop up a poor settlement. With only the UK and Portugal levying voluntary modulation on their farmers this has, since its inception, distorted competition between Member States. This position may to some extent be redressed in the context of the CAP Health Check negotiations the outcome of which has, as yet, to be determined by the EU Council of Ministers.

7. Another Issue NFU Cymru feels bound to draw attention to by way of the backdrop against which the consultation document should be seen is that of the EU's LFA boundary review. The Axis 2 review covers all the land management programmes under the Wales RDP including the agri-environment, woodland grants and Tir Mynydd schemes.

8. Although LFA designation first occurred in Wales in 1975 and some 79% of Wales is so designated Governments are not required to implement schemes to mitigate the permanent handicaps with which farmers in these areas have consistently to contend. There have, in the past, been Assembly proposals not to demarcate the LFA in Wales and in September 2005 one of the options put forward by the Welsh Assembly Government in the context of "options for Tir Mynydd from 2007" was no change in the LFA designation but no specific LFA financial support scheme.

9. Whilst the drawing of LFA boundaries, are of themselves not significant, clearly the demarcation is hugely important in terms of delineating where additional resources might be targeted and for this reason NFU Cymru regards the current review being undertaken by the EU and scheduled for completion by 2010 of LFA boundaries, as of crucial importance to Wales.

Welsh Farm Incomes

10. NFU Cymru considers that the current Axis 2 measures made a significant contribution to farm business income. Farm business survey data for Wales (appendix A) shows that in 2006/2007 - the latest year for which there is a component split - income from axis 2 measures contributed on average some 27% to farm business income with the income from agriculture excluding this and other support representing a loss of £9,600 for the year. The impact of Axis 2 measures in the LFA grazed livestock sector is even greater at some 47% of farm business income and where without such support the extent of the income loss would have increased to £17,000.

11. Axis 2 measures therefore are a major determinant of the economic viability of farms in Wales and without which there would be adverse economic, environmental, social and cultural ramifications. Farmers and stock are integral to the management of the landscape and without whom/which it will deteriorate.

Key Requirements of Axis 2 Measures for NFU Cymru

12. In the context of discussions on Axis 2 measures NFU Cymru is on public record as recognising, for example in the context of the Tir Mynydd scheme, that measures need to evolve and reflect changing circumstances and priorities and as such should not be set in aspic. It was therefore a source of acute frustration that in 2005/2006 so much of the Welsh Assembly Government's and indeed NFU Cymru's energy was spent on arguments over the budget rather than working up mutually acceptable successor Axis 2 measures.

13. On 4 January 2006 NFU Cymru was called to a meeting on Axis 2 by Assembly officials, a further meeting was called the following July but with little outcome or progress despite pressure from NFU Cymru. Another 6 months elapsed before a stakeholder group was set up in February 2007. Despite more than 18 months having past since the establishment of the stakeholder group, input into the consultation has been limited, meetings infrequent and progress has been slow. Some 2 years will have elapsed by the time the consultation process closes.

14. In considering successor arrangements to the current Axis 2 measures NFU Cymru considers that the measures should fulfil a number of criteria, in no particular order of priority, including:

the scheme should be generally accessible and have broad appeal with all farmers having the opportunity to participate

the schemes should provide reasonable incentive, an annual payment/capital grant combination works well

the scheme should be voluntary

the conditions of the scheme should be clear and comprehensible to practical farmers

the scheme should be flexible

they should provide stability and a longer-term approach (the opening and closing of application windows is to be avoided)

they should be consistent with the Welsh Assembly Government's determination to minimise red-tape

part-farm participation should be permitted

payments should be regular and on time

project officer support should be available

Key Concerns Regarding Successor Axis 2 Measures

15. NFU Cymru considers it essential that the farming industry in Wales should be sustainable in the broadest terms i.e. economically, environmentally, socially and culturally and the driver for all this will be determined by profitability. Reference has been made already to the significant contribution that Axis 2 measures make to farm business income and it is therefore crucial that successor measures maximise the level of resources that reach the individual farm business, that farmers are able to recover modulated SFP funds, particularly as the level of modulation rises and that there is no significant redistribution of resource under the Axis 2 measures which may have the potential to undermine business viability and result in the loss of more farming businesses.

16. The consultation document is critical of the fact that land managers regarded Axis 2 measures as producing multiple benefits including income support but until such time as these measures move away from the calculation of payments on the basis of income forgone, as presently required by the WTO, in favour of payments made on the basis of the positive contribution the schemes make to land management, it will be difficult to achieve this cultural shift. The other significant concern NFU Cymru has relates to double funding and how, if the measures were to be presented in a more integrated way, the current level of resources being deployed under more than one scheme could be issued without coming up against EU concerns of double funding.

The Axis 2 Proposals:

Option 1 - Modify Existing Schemes to Provide Increased Policy Delivery

Option 1(A)

17. The proposal tabled here basically sees the current Tir Mynydd measures being extended as a stand alone measure in a package of land management measures. From the farming industry's perspective it fulfils the vast proportion of key requirements that have been identified as necessary but the option outlined on page 39 of the consultation is in complete contradiction to a line on the previous page of the Welsh Assembly Government's consultation which states "Retaining the status quo is therefore not a feasible option."! NFU Cymru is cognisant of the difficulties that were encountered with the EC in negotiating the 2008 Tir Mynydd scheme with an extended budget based on area payments and cannot see, given the demise of Element 2 of the original scheme, that the EC's concerns will have significantly altered.

Option 1(B)

18. This proposal in effect recognises concerns expressed by the EC over the current Tir Mynydd arrangement and puts forward amendments that would deliver more demonstrable benefits in relation to "maintaining the countryside and promoting sustainable

farming systems" which is a requirement of the EC's Rural Development Regulation. This proposal, in NFU Cymru's view has the potential to fulfil EC requirements and also deliver on the elements required of a successor scheme to meet NFU Cymru aspirations. The proposal also obviates the concerns NFU Cymru has in terms of a significant re-distribution of Axis 2 resources and the impact this could have on the viability of farm businesses. The Welsh Assembly Government's consultation alludes to difficulty in evaluating the schemes, particularly Tir Gofal, delivered under the RDP and to difficulties of modifying the way the schemes operate to enable different outcomes to be delivered. We are not convinced that with further consideration there would be insurmountable difficulties.

Option 2 - A New, Two Tier Pan -Wales Scheme

19. The proposal tabled under this option basically sets an entry level scheme across the whole of Wales that is menu based and for which there is a premium for farmers in the LFA over and above a flat-rate payment. The remainder of the budget would be focussed on areas that could deliver enhanced benefits in geographic areas e.g. flood control in targeted catchment areas or soil carbon conservation.

20. NFU Cymru is concerned that this proposal would compromise its key requirements of being generally accessible as far as the 'advanced' element is concerned and having broad appeal. Not all farmers would be able to participate in these elements deemed as advanced. The principal of specifically targeting schemes and thus the financial resource that attaches to fulfilment of the conditions/outcomes of these elements is crucial to NFU Cymru. In the backdrop to this evidence reference was made to the fact that NFU Cymru envisage a situation where there may be pressure to shift resources away from pillar 1 of the CAP in favour of pillar 2.

21. This may be achieved as a consequence of the EU negotiations on the budget, it may be achieved through increased compulsory modulation or indeed the continuation of voluntary modulation by some Member States or it may be achieved, for example via the backdoor, through the use of article 68 (National envelopes) Any of these methods could produce cuts in the level of SFP paid to all farmers as the resources are transferred in favour of pillar 2 but not all farmers will have the opportunities to recover these financial losses by engaging in land management activity, if it is spacially targeted. Given the levels of farm business income earlier alluded to and the fact that for example for grazing livestock some 47% comes from Axis 2 measures, the economic vulnerability of these farms were they not able to lock into the 'advanced' element of the scheme, becomes evident.

Option 3 - A Fully Targeted Approach

22. Under this option resources available under Axis 2 would be targeted "explicitly and exclusively" on the Assembly's high level objectives. This represents the worst case scenario for NFU Cymru. This option would result in very significant resource redistribution and undermine the economic viability of those holdings outside the targeted areas and the other sustainability criteria upon which they deliver in environmental, social and cultural terms. This option is regarded by NFU Cymru as completely untenable and would detract from positive land management activities outside the targeted areas and particularly undermine the good and valuable land management work that has been previously undertaken in these areas.

The adoption of this option would be regarded by NFU Cymru as entirely retrograde for those located outside of the targeted areas.

Conclusion

23. The forgoing represents non other than NFU Cymru's preliminary reaction to the Welsh Assembly Government consultation sustaining the land and may change. This paper has done no more than respond to the principals of the options tabled and the detail will be a major determinant of the acceptability or otherwise of the options. In our view individual farmers will have difficulty at this stage in evaluating the options presented because of the lack of detail and will be unable to determine how the options might impact on their individual businesses.

One of the issues highlighted by this response is our concern at the impact of a significant redistribution of resources and depending on the options progressed there may be a need for transitional arrangements to enable businesses to adapt to changed circumstances.

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