

# Rural Development Sub-committee

## RDC(3)-18-08(p2): 6 November 2008

### A review of land management actions under Axis 2 of the Rural Development Plan for Wales 2007-13: Submission by Farmers' Union of Wales

1. The Farmers' Union of Wales welcomes the opportunity to submit initial evidence to the Rural Development Sub-committee on the proposals outlined in the Welsh Assembly's review of land management actions under Axis 2 of the Rural Development Plan for Wales 2007-13.

2. The Welsh Assembly Government's consultation runs until 19<sup>th</sup> December 2008, and, currently, the Farmers' Union of Wales is undertaking its own internal consultation on the proposals. This paper represents the initial views of the Farmers' Union of Wales and may not represent the Union's final position.

#### Background

3. Axis 2 of the Rural Development Plan covers measures to improve the environment and the countryside, including support for less favoured areas (Tir Mynydd), Agri-environment, (Tir Gofal, Tir Cynnal), Organic farming, and Forestry.

4. Over 80% of Wales is designated as Less Favoured Area (LFA) and, of that, 72% is categorised as Severely Disadvantaged Area (SDA). The Tir Mynydd scheme represents a significant proportion of the income of the majority of hill farmers.

5. The Tir Gofal scheme was introduced in 1999, developed from the highly popular pilot Tir Cymen scheme. It has been popular with farmers to the point where financial constraints have restricted applications to the scheme.

6. The introduction of 'voluntary modulation' under the 2000-06 Rural Development Plan resulted in the FUW arguing that, as all farmers were modulated, they should have the opportunity to benefit from measures funded by modulation.

7. The Tir Cynnal Scheme was introduced in 2005 on a pan Wales basis to provide a 'first step' agri-environmental scheme for those farmers unable to meet the entry thresholds for Tir Gofal. The Union argued that the scheme should provide access to a capital grant scheme. However, it did not, and this, coupled with a bureaucratic application process, has meant that it has failed to be as successful as first expected. Indeed, following the Minister's announcement last week, the scheme has been suspended.

#### Current situation

8. Since the introduction of the current suite of Axis 2 measures, there have been a number of significant changes both in terms of European legislation, e.g. CAP Reform, which decoupled production, and the Water Framework Directive, which will require new and more challenging standards for water quality.

9. Additionally, climate change is now becoming increasingly important to all aspects of policy development and it can be argued that the current suite of agri-environment schemes does not reflect the need for enhanced water management nor climate change adaptation measures.

During 2007, the Farmers' Union of Wales participated in a stakeholder review panel which undertook an objective 'blue sky thinking' approach to come up with ideas for future land management schemes. Unfortunately, the group did not meet during 2008 and external stakeholders had no opportunity to discuss the options prior to the report's publication in September 2008.

The consultation paper consists of three options:

Option 1. Modify existing schemes to provide increased policy delivery.

Option 1(a) Retain existing Tir Mynydd and other schemes in recognition of the fact that compensatory payments relating to physical and other handicaps associated with farming within a less favoured area should be regarded as one essential element of land management measures offered within the Rural Development Plan.

Option1 (b) Retain Tir Mynydd as above, but amend it to include 'environmental enhancements'. Close Tir Cynnal, and revise Tir Gofal to deliver higher level outcomes.

Option 2. Introduce a new, two-tier pan-Wales scheme. Two levels: basic and advanced land management. The basic land management would be developed from the existing Tir Mynydd Scheme, converted from a compensatory scheme to an entry level environmental scheme. The advanced level would be spatially targeted at specific areas such as carbon management, improving water quality and climate change adaptation.

Option 3. A fully targeted approach. Tighten up cross-compliance to deliver basic environmental outcomes across Wales and target resources exclusively to meet high level outcomes.

12. Given the significant contribution the Tir Mynydd scheme makes to retaining farming in the uplands, the FUW is initially drawn to Option 1, as this will not result in any high level disruption to schemes' application procedures and will ensure that existing Tir Mynydd beneficiaries are not subject to the major income reductions which could be experienced under options 2 and 3.
13. The Assembly has initially indicated that Option 1 may not meet the European Commission's objectives for environmental benefits delivered by LFA schemes, although there has been no formal approach to the Commission.
14. Options 2 and 3 have major implications for farmers as they would result in a seismic shift in the way payments are made to farmers in Wales.
15. Whilst Option 2 does retain the LFA boundary element to reflect the increased difficulty of farming within those areas, the major concern the FUW has in relation to any new scheme is the logistics involved in requiring farmers to apply for any new scheme and how the Assembly's own payments mechanism will cope with the sheer numbers of applications made on the Single Farm Payment application form.
16. The Assembly has indicated that the new or revised schemes are to be introduced from 2010. The Union has great reservations that any but Option 1, or possibly 1(a), could be delivered within that timescale.
17. The FUW is also concerned that, if Option 2 were introduced, the Assembly would not be able to cope with all applications in the first year, and that would mean significant cash flow issues for many farmers.
18. Similarly, the need for farmers to reach a points threshold for the basic level of Option 2 could well create problems for some farmers which could be exacerbated in future years if thresholds are raised due to financial constraints.
19. Should option 2 be adopted, there would need to be a very lengthy transitional period or safety net introduced to ensure that those claimants whose incomes were severely affected by changes in the Tir Mynydd regime had sufficient opportunity to adapt.
20. The FUW has further concerns that Option 3 would be a step too far, both in terms of the potential income shifts between farmers and the increased level of bureaucracy and administration costs required to run the scheme. It is also concerned at the implication that cross compliance requirements across the board should be tightened in order to achieve basic environmental outcomes, which, in the Union's view, would be gold plating EU requirements.
21. The FUW is also concerned that options 1(b), 2 and 3, will not provide opportunities for those farming more intensively to participate in agri-environmental schemes, which was partly addressed by the Tir Cynnal scheme.
22. Whilst the FUW accepts that Axis 2 schemes have to deliver a number of 'new' outcomes to help meet both Welsh Assembly Government and wider UK objectives, there is a need to ensure that any new regime is introduced gradually so that the farming industry has time to adapt to and accept any new arrangements.
23. Basing payments on an output-based approach is also a system worthy of further examination as this would allow more flexibility and provide an opportunity to utilise a farmer's historic knowledge of his farm, rather than opt for a prescriptive approach that may not provide the desired outcomes.
24. In the context of current schemes delivering against Wales' Environment Strategy Outcomes (Appendix 1), the FUW believes that the table is particularly negative about the contribution Axis 2 measures are currently making towards environmental enhancement and improvement. The Farmers' Union of Wales believes that much of the environmental benefits of schemes such as Tir Mynydd are not evaluated since they are a by-product of scheme objectives. Tir Gofal, for example, has socio-economic benefits as a by-product of environmental management.
25. In conclusion, the FUW believes that there is merit in considering Option 2 over the longer term once the question of transitional arrangements has been addressed and assurances given that those farming within Less Favoured Areas will continue to receive compensatory support.
26. Given the timescale suggested by the Welsh Assembly Government for implementing the revised Axis 2 Programme, the Farmers' Union of Wales currently believes that, under the current plan, Options 1 and 1(b) will be the most practical and equitable measures to adopt.

RNP/GD/EEC/60C

31 October 2008