



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Yr Is-bwyllgor Datblygu Gwledig  
The Rural Development Sub-committee**

**Dydd Iau, 6 Tachwedd 2008  
Thursday, 6 November 2008**

**Cynnwys**  
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Inquiry into Axis 2 of the Rural Development Plan: Evidence Session

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Bates	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Alun Davies	Llafur (Cadeirydd yr Is-bwyllgor) Labour (Sub-committee Chair)
Leanne Wood	Plaid Cymru (yn dirprwyo ar ran Rhodri Glyn Thomas) The Party of Wales (substitute for Rhodri Glyn Thomas)
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives

**Eraill yn bresennol**  
**Others in attendance**

Richard Davies	Asiantaeth yr Amgylchedd Environment Agency
Sue Fowler	Canolfan Organig Cymru Organic Centre Wales
Mary James	Undeb Cenedlaethol Amaethwyr Cymru National Farmers Union Wales
Bernard Llewellyn	Undeb Cenedlaethol Amaethwyr Cymru National Farmers Union Wales
John Lloyd Jones	Cyngor Cefn Gwlad Cymru Countryside Council for Wales
Simon Neale	Asiantaeth yr Amgylchedd Environment Agency
Rhian Nowell-Phillips	Undeb Amaethwyr Cymru Farmers Union Wales
Brian Pawson	Cyngor Cefn Gwlad Cymru Countryside Council for Wales

**Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol**  
**Assembly Parliamentary Service officials in attendance**

Claire Morris	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.07 a.m.*  
*The meeting began at 9.07 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introduction, Apologies and Substitutions**

[1] **Alun Davies:** Trefn. Ni wnaaf y datganiadau arferol, ond fe'ch atgoffaf fod offer cyfieithu ar gael os oes angen, a gellir hefyd ei ddefnyddio i chwyddleisio'r sain yn yr iaith wreiddiol. **Alun Davies:** Order. I will not make the usual announcements, but I remind you that translation equipment is available if necessary, and it is also possible to use it to amplify the sound of the original language.

[2] Mae gennym agenda lawn y bore yma, felly yr wyf am fwrw ymlaen yn syth. We have a full agenda this morning, so I would like to begin straight away.

9.08 a.m.

### **Ymchwiliad i Echel 2 y Cynllun Datblygu Gwledig: Sesiwn Dystiolaeth Inquiry into Axis 2 of the Rural Development Plan: Evidence Session**

[3] **Alun Davies:** Croesawaf Mary James a Bernard Llewellyn o Undeb Cenedlaethol Amaethwyr Cymru. Dyma ein sesiwn gyntaf ar echel 2 a'n gwaith ar y cynllun datblygu gwledig. Yr oedd y pwyllgor yn awyddus i ddechrau'r gwaith hwn ac i ddod â'r gwaith i ben erbyn y Nadolig. Felly, mae amser yn dynn iawn, ond credwn ei bod yn bwysig i'r pwyllgor gymryd golwg ar hyn gan adrodd yn ôl yn gynnar yn y flwyddyn newydd.

**Alun Davies:** I welcome Mary James and Bernard Llewellyn from the National Farmers Union of Wales. This is our first session on axis 2 and our work on the rural development plan. The committee was keen to start this work and to complete the work by Christmas. Therefore, time is tight. However, we believe that it is important that the committee looks at this and reports back early in the new year.

[4] Fe'ch croesawaf i'r cyfarfod. A wnewch sylwadau agoriadol, ac yna, fel y gwyddoch, bydd Aelodau yn eich holi ar eich tystiolaeth ysgrifenedig? Mae pawb wedi cael cyfle i'w darllen.

Welcome to the meeting. Will you make some opening remarks and then, as you know, Members will question you on your written evidence? Everyone has had an opportunity to read it.

[5] **Mr Llewellyn:** Thank you, Chair. My name is Bernard Llewellyn, and I am part of the presidential team of NFU Cymru. That sounds terribly grand, but it just means that a few chairmen get together with the president to try to discuss things before they are put to the general membership. I also represent UK Agriculture on the European Commission's agriculture and environment board in Brussels, so I pick up what is going on there. I am sure that Mary James needs no introduction. She is our director, and most of you will have met her before.

9.10 a.m.

[6] First, I thank you for giving us the opportunity to present oral evidence to this group. We appreciate this opportunity. There are a few fundamental points that I would like to make, and you have already seen our written evidence.

[7] This meeting may be rather premature as far as we are concerned, because we have not had enough time to go out to our counties and to consider the feeling of our membership. However, we have looked at the paper, and have tried to draw a few things together. One issue is that this inquiry into axis 2 is, in some ways, happening at totally the wrong time, but we know that it has to happen now. However, there is a lot going on particularly at a European level. There is the less favoured area boundary review, European Union budget negotiations, and the whole future of the common agricultural policy post 2013 will change, which will have an effect on axis 2.

[8] The other thing that upsets us farmers a bit is the historically poor allocation that we have had as far as the EU rural development budget is concerned: 3.5 per cent is a pretty abysmal amount of money to come from Europe. Bearing that in mind, it is quite difficult for us to look at things positively. That 3.5 per cent will have an effect pro rata on the Welsh rural development programme. That low level of support and the fact that Welsh farmers have also been modulated—voluntarily and compulsorily—have affected us. My work in Europe suggests that we are very much in the minority when it comes to that. I think that it is only in Portugal that there is any level of modulation at all.

[9] There is also the evidence that we have received about the effect that single farm payments are having on the income of farmers, which accounts for a large proportion of our income. That is a worrying situation, and we do not see this getting any better as far as modulation is concerned. So, if I say nothing else today, I will say just that we believe that all farmers should have the opportunity to get some of this modulation back. It is imperative that all farmers have that opportunity, regardless of where or how they farm.

[10] I talk to many environmental bodies about modulation, and they talk about it as public money. However, as far as I am concerned, that money just would not be there if it were not for the farmers building up this fund, before all this started to happen. Therefore, to say that it is public money is missing the point. They really should have an opportunity to get that money back. The global credit crunch is making politicians take a rather more sympathetic view of it; all of a sudden, primary industries are of some significance. I have argued a lot with economists, and they will tell you all sorts of things, but perhaps the chickens are starting to come home to roost.

[11] On options 2 and 3, we have major concerns about the redistribution of this money. When I looked at option 3, I thought, 'How can I sell this to the farmers in Ffair-fach mart?'. It is very forward-thinking, and we accept that there has to be change. However, getting this through to a farmer will be difficult for us if not for you. So, there are concerns, particularly when it comes to less favoured areas. A big chunk of Wales is an LFA. You have only to drive around the rest of the UK to see that. If people think that there is no disadvantage in farming in an LFA, they must have their eyes closed.

[12] So, this explicit targeting of resources gives us a lot of concern. As I say, what we would really like to see is every farmer having the opportunity to get hold of some of this money.

[13] **Alun Davies:** Diolch am hynny, Mr **Alun Davies:** Thank you for that, Mr Llewellyn. Yr ydym yn gwerthfawrogi eich Llewellyn. We appreciate your comments. sylwadau. Mick Bates sydd gyntaf. Mick Bates is first.

[14] **Mick Bates:** Thank you both for attending today, and also for your paper on the axis 2 review. What is your general view of the proposals in the consultation, given that you currently have all these other things interacting with each other, namely the CAP reform and how the credit crunch impacts on the LFA? I would like to know more about your view of how these proposals fit into all that.

[15] **Ms James:** I will answer that. We are in an evolving situation, as you rightly say. We expect the LFA boundary review to be completed by 2010. It is hoped that these proposals will be determined by 2010. However, it is extremely ambitious to get that agreement by 2010 given that we will have to wait until the service and financial framework 2011 form before detail can be taken and, I suspect, 2012 before payment can be made. We will then almost be into the new programming period, which commences in 2014. We will have a better idea about the common agricultural policy health check and its progress by December 2008. However, we all expect that, post 2013, we will have to alter how the single farm payment is made, even if there is a transitional period. We need to use this interim period to allow the scheme to evolve—it will take time to produce—by which time some of these other areas will become clearer.

[16] **Mick Bates:** How will all of these bits fit together? You say that, by 2010, we might get the LFA results. This review may not be implemented until 2011, so is there any point in doing this now?

[17] **Ms James:** As I said, it is a matter of using the space that we have to draw up a scheme and apply the benefits gained from discussion and negotiation on these other facets as we go forward and integrate them into the package that we come up with.

[18] **Mick Bates:** Will it be implemented by 2011?

[19] **Ms James:** I think that that is very ambitious. It has taken two years to get a consultation document out and we are at the beginning of a process and not at the end.

[20] **Mick Bates:** As part of this, the Welsh Assembly Government proposals seem to be pushing more on the demand for public goods, such as environmental features, and it appears that these things are not currently being delivered by the marketplace. Do you agree with the approach that the Government is adopting to deliver more and more public goods?

[21] **Mr Llewellyn:** Clearly environmental goods for people are vitally important and it is also where we get our money from. I mention the credit crunch because, all of a sudden, food security is being mentioned by our great Prime Minister—he mentioned it at our annual general meeting—and people think that something has to be produced to get money moving around the world. All of a sudden, the service industry is not quite as important as is moving money around, which is all that they are doing. I am convinced that food production will be important. My only disappointment is that the marketplace has not matched my expectations up until now. Things are improving, but there is a long way to go and we are still, regrettably, heavily reliant on the single farm payment.

[22] **Ms James:** At the end of the day, farmers are businessmen; they have been encouraged to act commercially and to act as business people. In order to do so, they have to make a profit. That does not mean to say that there necessarily has to be a total disregard for the environment. However, it does mean that, if they are to invest in the environment, then their businesses have to be profitable and they have to be profitable from the perspective of food production and the environmental goods that they deliver.

[23] **Mick Bates:** In your submission, you talk about incomes, so what do you think would be the impact of the delivery of each option on farm incomes?

9.20 a.m.

[24] **Ms James:** We are hugely concerned about option 3; we are concerned about option 2 and are perhaps a little more satisfied with options 1(a) and 1(b). We have given the committee a list of farm business incomes that were derived from the farm business survey carried out in Aberystwyth. A cursory look at those incomes—the latest figures available to us were those for 2006-07, because they were the latest ones with the components split—will show you that, for all farm types, axis 2 measures, such as Tir Mynydd, Tir Cynnal and Tir Gofal, contribute some 27 per cent to farm incomes. If you look at the LFA scenario—as you would expect, with LFA payments being higher in that area—it is 47 per cent of farm income. If you take the axis 2 measures out and there is a shift from SFP, the pillar 1 measures—as we deduce that there may be—over to pillar 2, you can very readily see that, unless there is a way for farmers to recover those support measures through agri-environment schemes, that has the potential to have a huge impact on net farm incomes. Without support—whether it is SFP or axis 2 measures—you can see that there was an average loss of £9,600, and in the LFA area there would have been a loss of £17,700. Those are very significant losses.

[25] **Alun Davies:** Do you want to continue, Mick?

[26] **Mick Bates:** I will finish now, Chair. To summarise your opening remarks on the axis 2 consultation, it seems to me that you are saying that, first, it is not really that necessary,

given everything that is going off, because it is not going to be implemented for a long time, and, secondly, that the status quo is your preferred outcome and the closest thing to that is option 1.

[27] **Ms James:** I think that our preliminary view is that options 1(a) or 1(b) would be our preferred starting point. The union's view is that we have to use this period, up to 2013, to get our house in order, in order to deliver measures that will satisfy the industry and the general public, post 2013.

[28] **Brynle Williams:** Good morning to both of you and thank you for coming. Bernard, you touched on something that concerns me, which is food security. Do we have the balance right between the environment and food security? Are we somewhere near it or are we a long way from it?

[29] **Mr Llewelyn:** What concerns me is that the emphasis is being put on the environment and, although I can accept that, we certainly do not want to see the emphasis being put on the environment at the cost of our ability to produce food. If you look at all the statistics— whether they be statistics on climate change worldwide or whatever—we are going to be living in a hungry world. I was up in the north of England about a month ago and I saw lots of miscanthus and so on being planted and saw a field of wheat—at that time, wheat was quite a good trade—planted next door to it. There is a moral issue here as well, is there not? I know that miscanthus is not a good example of an environmental project, but that is the way in which a lot of environmental projects are going, and the reality is that you are taking land out of production or using it less intensively. I am concerned that we do not lose our options as far as that is concerned. I sit on the Forestry Commission for Wales and planting trees is important, but I would have severe reservations about covering even bigger chunks of Wales with trees so that the option to produce food is not there.

[30] **Brynle Williams:** Thank you. The statistics that I have seen recently show that, by 2050, we will be down to fewer than 30 acres per individual worldwide. That is rather frightening to me, as a practicing farmer. We are talking about implementing this by 2011-12 and I am afraid that conditions are moving so fast. Do you see this ever being implemented, with a shortage of food and droughts and so on?

[31] **Ms James:** I do not think that we are saying that food production and enhancing the environment are mutually exclusive—both can be done and a balance has to be achieved. The point that I would perhaps add to that which Bernard has just made is the fact that the Welsh Assembly Government currently has a local food procurement strategy. If you are not producing food and you are concentrating solely on the environment, how are you going to produce the food for the processing and adding value and so on? There has to be an integrated approach to this and we are basically saying that we have to find a balance here between food production and care for the environment.

[32] **Brynle Williams:** Right—

[33] **Alun Davies:** May I just come in at this juncture, Brynle? We will discuss food production at our next inquiry, of course, and we will be able to address some of the issues at that point.

[34] Mick's original point was that, essentially, we have this issue of delivery of public good, which can mean many things. In this case, it does not necessarily mean food production, as it includes other things. The subsidy is paid to provide such public good, because the market would not do it as a single, stand-alone mechanism. We understand that. The NFU did not quite address that point in its written submission. On what is being provided, if you want a pure policy-driven approach, you go straight to option 3. This is what

the policy is, but where is the environment policy and the rest of it? We have a commitment to environment policy from this and previous Governments. Option 3 would put all the resources behind the delivery of those policy objectives, and you are clear in your written evidence that you regard this to be the worst case scenario. To what extent do you believe that you could support a movement to financial links, as it were, to the delivery of those policy objectives, and to what extent do you believe that the industry could help to deliver those, where financially viable and practically possible?

[35] **Ms James:** It depends on how you measure public good, and it is not one thing or the other. Is public good a matter of targeting all the resources on specific areas to deliver environmental objectives, or is public good a matter of trying to preserve the current mosaic of farms and so on in the Welsh agriculture industry? Again, it comes back to the issue of profitability. If you target all your resources on one particular area, then you make those farmers who are outside that area extremely vulnerable. Would the demise of their businesses be a public good?

[36] **Alun Davies:** For the sake of argument, let us assume that public good is defined as environmental benefits.

[37] **Mr Llewellyn:** One thing about option 3 is that it talks a lot about carbon. We are all aware that carbon trading is something that is happening in America. I would look at that as an opportunity for farmers, but the reality is that the technology is not quite there yet. We could start to go down that road at this stage, but to go totally down that road is a bit like the fact that we are still not being paid for water. I would hate to see the same thing happen with carbon. Let us walk rather than run in that direction.

[38] **Alun Davies:** Let us accept that as a starting point. How far down this road would you like to see us progress? Let us assume that we accept the direction of travel. At what speed would you like to see the Government progress? What do you think is realistic and deliverable?

[39] **Ms James:** It comes back to Bernard's point about his farmers in Ffair-fach. These are going to be voluntary schemes, and it is the extent of buy-in to the schemes you can get and understanding of the objectives and outcomes that the Government would be looking for. You have to start there, and I think that it will be a situation that evolves. We need a scheme that, as the resources become available, can be flexible and adaptable.

[40] **Alun Davies:** I appreciate that. Staying with Ffair-fach, to what extent do you believe this to be an issue of cultural change as much as it is about financial change? Food production is the *raison d'être* of the industry, but to what extent are we, through these different payment systems, promoting, creating and leading cultural change, using the subsidies and the different programmes as a means of achieving that?

[41] **Ms James:** It is leading cultural change, but there are inhibitors. For example, there was criticism of the industry for looking at LFA support, which is just one of the measures used as income support and as a social payment, but unless these resources come into the business, it will not be viable. While these resources are calculated on the basis of income foregone, it will be difficult to change the culture.

9.30 a.m.

[42] We have always advocated positive payment for the positive works that are done, and if you could get a shift in emphasis in that way, the cultural change would be easier. Having said that, we are not unaware of the problems associated with it, given that this comes back to the World Trade Organization—it is not even at the European Commission's discretion.



[43] **Mr Llewellyn:** Also, we are a long way down the road—if you go back to my days, when I went into Tir Cymen, which was a pilot of Tir Gofal, it was an alien concept, but we are a long way down that road as far as farmers are concerned.

[44] **Brynle Williams:** Moving on, in your submission, you emphasise that the less favoured area boundary review has been of crucial importance to Wales, and that it has been an integral part of the Welsh review of axis 2. Can you elaborate on that?

[45] **Ms James:** The LFA boundary review is so important because it identifies the area in which you might want to target resources. It is not the boundary itself that is important—the area is important because it is the demarcation zone for where you need to target resources to compensate for the permanent handicaps of operating and farming in those areas. At the moment, 79 per cent of Wales is designated as a LFA, which is a considerable area compared with some other parts of the UK, and we feel that it is imperative that the boundary is maintained to identify the areas in need of additional resource.

[46] **Brynle Williams:** This goes back to how I would interpret public goods. Moving on, in your submission you also list criteria that you consider should be met by any successor arrangements. Has this criteria, which highlight the concerns of farmers, been reflected in the review and the proposed options?

[47] **Ms James:** At this stage, it is difficult to evaluate the options, perhaps with the exception of option 1, as to what is being put forward. We have some difficulty in envisaging what the proposed schemes under options 2 and 3 might look like. What we have basically done is to list the types of criteria that we as an industry would look for in a scheme and which would address our concerns. For example, we have had the equivalent entry level scheme, Tir Cynnal, and we have been concerned all along that the resource management plans, and so on, that required the documentation associated with that scheme, were considered to be bureaucratic and intimidating for most farmers. The supply of paper that arrived through people's post boxes was enough to put people off from looking at the scheme. The issue of bureaucracy and red tape is something which the Assembly Government is currently looking at, but we feel that these types of things must be built into any scheme if you are to end up with a good buy-in to the schemes that you are producing, given that it is ultimately about voluntary participation.

[48] **Brynle Williams:** You have anticipated my next question, namely which of the options posed would you prefer. I take it that you would prefer option 1 or 1(a).

[49] **Ms James:** Yes, that is certainly our preferred option. We were a little surprised to see a reference in the consultation document to option 1(a), and then in the preceding paragraph a reference to the fact that it was unlikely to be accepted by the commission. If that was envisaged to be the position, one wonders why it was put in as a starting point. Our experience of the Tir Mynydd scheme in recent times, when we know that the Assembly Government had to go back to Brussels to negotiate supplementary payments because the commission was concerned with a simple area payment, points to the fact that the commission would not find favour with this particular option. What it does is to set the negotiating base for these proposals at a level that is lower than is perhaps deliverable, if I can put it that way.

[50] **Mick Bates:** Going back to the public goods issue, the Chair said that he would take environmental issues as being the main public good, but do you think that there are other issues that should be considered a public good, for example, food production itself or food security?

[51] **Mr Llewellyn:** Absolutely. I will be attending the Taste of Wales event tonight, and

niche markets are important, but so are food miles. There are a lot of people who are now far more concerned about that sort of thing than they were. As I mentioned, the credit crunch will have an effect on that, and perhaps people will be pushed a bit harder, but people feel that they need locally produced food of good quality.

[52] **Ms James:** There are social issues involved here as well, and, ultimately, we regard the environment of Wales as the product of management, to which both people and stock are integral. So, there is a social element to it as well.

[53] **Mick Bates:** How can you bring food security as a public good into axis 2? Is it possible to do that?

[54] **Ms James:** Food security would largely be under pillar 1. The problem is that the prognosis is that pillar 1 will be eroded as we go into the future. If that is the case, unless these resources can come back to farm businesses via pillar 2, profitability is likely to be undermined, and that is the issue.

[55] **Mick Bates:** Local food procurement, which Bernard just mentioned, is a big part of 'One Wales' and has a massive environmental impact. So, is it possible—you have the experience on this—to bring that type of measure into a targeted bit of option 3? Carbon management is in there. You mentioned food miles, and local food procurement would reduce the carbon footprint, so, presumably, local food could be brought into that type of measure.

[56] **Mr Llewellyn:** As producers, it is not straightforward for us to get involved in that. We can do what we can; we can market it, and we can sing its praises, but getting something done to ensure that it was only local food would be difficult for us. I cannot see where there would be an option in that to do that.

[57] **Mick Bates:** We have talked about Tir Cynnal, which is frozen for the moment, after the announcement of more money for the organic scheme, and you mentioned the cost of implementing these schemes. Do you have a comment on the options and how they may increase the costs of the bureaucracy involved?

[58] **Ms James:** It is difficult, again, for us to evaluate the costs associated with each of the measures, at this stage. Our gut reaction is that proposals under options 2 and 3 would be more costly to provide than those under option 1. It will largely depend on the extent of project officer involvement and so on. An advantage for us under the Tir Mynydd element of axis 2 is that it has been of a low cost to deliver. That has been an important aspect of it.

[59] **Alun Davies:** We are coming to the end of this session. I would like to clarify a couple of issues before we conclude. What do you feel are the environmental priorities that these schemes should address?

[60] **Ms James:** There are a number of issues. Landscape is one; permissive access is another, and I emphasise that it is permissive in access terms. In addition, there is biodiversity and carbon management. There is a proliferation of things, and I do not think that we would necessarily put them in any particular order, but they would be the sorts of things—as would water issues, with the water framework directive—that we would need to deliver under the measures.

[61] **Alun Davies:** I agree with what you said. Looking at the consultation document and the way that the Government is moving, do you think that the Government will achieve its objectives of providing support for the industry and social support, which you have already discussed, and the target it has set for itself in the environment strategy?

[62] **Ms James:** It will be difficult to do that with the budget that is available. My understanding is that the way that the health check proposals are currently presented is that it is only any increase in the level of modulation for Wales—and the current basis would be some 1.5 per cent by 2010—would be there to deliver on these new challenges. The budget resources available to actually deliver these will be minimal relative to the amounts that we suspect will be required to deliver them.

9.40 a.m.

[63] **Alun Davies:** I have one final question, although I have a strange feeling that I already know the answer to it, having considered your previous remarks. However, I would like to hear your views and put them on the record. Could you outline your views on the issue of geographical or spatial targeting?

[64] **Ms James:** We are extremely concerned that, with the targeting of resources, not everyone will have an opportunity to recover their lost resources under the single farm payment. As a consequence you will end up with environmental ghettos, if you like.

[65] **Mr Llewellyn:** Also, there are some individuals out there who can offer an awful lot to the environment and they do not necessarily live in the right place.

[66] **Alun Davies:** So, the consequences of such targeting could be both positive and negative. People could lose out and you could have an enormous structural rupture, if you like, in the industry and socially; and also, targeting could lead to potentially positive impacts not actually being achieved.

[67] **Ms James:** Our concern is that you would end up with positive benefits in the targeted areas, but there could actually be an undermining of the environment in those areas outside of the targeted areas.

[68] **Alun Davies:** Okay. I think that that is very clear. If Members have no further questions, we will draw this session to an end. I thank you both for the time that you have taken in coming here this morning and for taking part in the session. We are very grateful to you both for that. You will receive a transcript of this morning's session for your information.

[69] Hoffwn ddweud gair o ddiolch i'r ddau ohonoch. I would like to say a word of thanks to you both.

[70] Cyn inni symud ymlaen at y sesiwn nesaf, hoffwn wahodd Rhian Nowell-Phillips, sy'n cynrychioli Undeb Amaethwyr Cymru, i'r bwrdd. Before we proceed to the next session, I would like to invite Rhian Nowell-Phillips to the table. She is here to represent the Farmers Union of Wales.

[71] Hoffwn ddweud hefyd, gan fy mod wedi gwneud camgymeriad drwy beidio â gwneud hynny ar ddechrau'r cyfarfod, ein bod wedi derbyn ymddiheuriadau gan Rhodri Glyn Thomas gan nad yw'n gallu bod yma y bore yma. Bydd Leanne Wood yn cymryd ei le yn ystod yr egwyl. I would also like to add, as I inadvertently did not do so at the start of the meeting, that we have received apologies for absence from Rhodri Glyn Thomas. Leanne Wood will be substituting for him after the break.

[72] Croesawaf Rhian i'r cyfarfod. Diolch yn fawr am yr amser yr ydych wedi'i gymryd i ymuno â ni y bore yma. Mae Aelodau eisoes wedi cael copi o'ch tystiolaeth ysgrifenedig a I welcome Rhian to the meeting. Thank you for taking the time to join us this morning. Members have been given a copy of your written evidence and we have all had an

chael cyfle i'w darllen. Hoffwn ddechrau'r sesiwn drwy eich gwahodd i ddweud ychydig eiriau ar gofnod i gyflwyno'ch sylwadau. Yna, symudwn ymlaen at gwestiynau.

opportunity to read it. First, I invite you to say a few words for the record to present your comments. We will then proceed to questions.

[73] **Ms Nowell-Phillips:** Thank you for the opportunity to come to address you today. The consultation has only recently been published and we are currently undertaking an internal consultation and trying to encourage farmers to attend consultation meetings around the country. We held an open meeting in Carmarthen last week that over 100 farmers attended. That was really positive because this is one issue that we really need to get farmers engaged in. Hopefully, other meetings around Wales will be as well attended so that we can actually get what farmers really want for their future in axis 2 schemes.

[74] With the caveat that we have not had the opportunity to discuss this formally with our committees, the written evidence that I have put before you today contains our initial views. One of the big concerns that we have with the paper itself is that once you get beyond option 1, you are in a situation of being in the great unknown, and because of the lack of detail on options 2 and 3, it is very difficult to see how we will engage farmers to look beyond option 1.

[75] My other concern was that the concept of reviewing axis 2 schemes was mooted nearly two years ago. We seem to be in a position now where everything is speeding up. The aim is to get things in place by 2010. Beyond option 1 and 1(b), I really do not think that it will work out, because of the huge implications of changing the way in which schemes run and having to go through Europe. Then there is the application process; we have enough trouble with existing schemes, let alone if we were to change the scheme from scratch.

[76] **Alun Davies:** Thank you for that; it is good to have that synopsis of your views. I now invite Brynle to ask the first question.

[77] **Brynle Williams:** Good morning, Rhian; thank you for attending. What is your view on the direction of the review? Do the proposals help to prepare Wales for future CAP reforms?

[78] **Ms Nowell-Phillips:** As I said, unfortunately, because of the lack of detail in options 2 and 3, it is difficult to see how they will pan out. When we originally sat down as stakeholders two years ago for a blue-sky thinking session, we had a sort of timetable for how we could develop schemes to meet new objectives, such as the water framework directive, climate change objectives and so on, which were issues on the horizon, and for perhaps changing the way that farmers were paid for providing environmental goods, such as having an outcome-based approach. They were all good things. However, our timescale has caught up with us; we are now in 2008—practically 2009—and the current rural development plan runs until only 2013. We do not know what will happen, post 2013, with the CAP itself or with the RDP of the future.

[79] There is an argument now that we look at the schemes as a whole, but that we do not do anything within this current RDP. That is just my opinion, but I am rapidly coming to the conclusion that we are not going to get any major changes within the current RDP, and changing the timetable might offer greater opportunities for us to sit down and engage the industry and others in how we could develop a scheme that meets the environmental objectives and has, from our point of view, a social by-product. I understand that socioeconomic payments are now de rigueur in Europe, but there is no reason why there should not be social by-products from environmental schemes. So, if we use this as the starting point, we may be hitting the ground running with the next RDP.

[80] **Brynle Williams:** You also state in your submission that the Welsh Assembly Government's assessment that the contribution that axis 2 measures are currently making towards environmental enhancement and improvement is particularly negative. Can you elaborate on that?

[81] **Ms Nowell-Phillips:** There is a table at the back of the consultation document that outlines the existing schemes and how they are meeting the Wales environment strategy targets. One issue that is always avoided is that, just as the socioeconomic benefits of environmental schemes are overlooked, the environmental benefits of schemes such as Tir Mynydd are often overlooked. A scheme such as Tir Mynydd keeps people farming in the hills and sets minimum stocking rates, which benefits the landscape and habitats. However, those environmental outcomes are overlooked because the scheme is not considered to be an environmental scheme. So, the table states what Tir Mynydd, Tir Gofal and Tir Cynnal are—along with the WES objectives—but just because a scheme is not aimed at a particular output, does not necessarily mean that it does not have an effect.

9.50 a.m.

[82] My concern was that you would look at that table and say that Tir Mynydd makes no contribution towards our objectives; that is why people outside the industry say that the scheme should not carry on.

[83] **Brynle Williams:** Is it possible to achieve the cultural shift in the agricultural community that will be required to deliver on the environmental objectives—the environmental strategy and new targets outlined in your consultation document?

[84] **Ms Nowell-Phillips:** Not by 2010, in my opinion. As the NFU said, farmers will accept and embrace change, and agriculture is all about change—taking on new challenges, new methods of production and so on. It is not a case of farmers being stuck in their ways and refusing to adapt. However, when you are talking about two options that are currently just broad outline schemes, it is hard to set yourself two years to implement them. Given the current consultation paper, I feel that most farmers will go for the security blanket of options 1 and 1(b).

[85] **Brynle Williams:** Going back to the previous question, you touched on the socioeconomic aspect of Tir Mynydd. I agree with your comments, but how can we overcome this perception that it is about keeping farmers in the uplands? You touched on many of the issues: the reduction of stocking levels, viability, carrying capacity per acre and so on. How can we ensure that Tir Mynydd is better understood?

[86] **Ms Nowell-Phillips:** We should avoid tables that pick out certain objectives for socioeconomic or environmental schemes and instead look at the outcomes on farms and within areas of Wales—whether or not they are designated less favoured areas. That is why, further on in the evidence paper, we state that we quite like the output approach that has been mooted, whereby, instead of issuing prescriptions that must be followed come hell or high water, farmers are given opportunities. It is better to tell farmers what you want in 10 years' time and leave them, with their generations of experience on that land, to produce the desired results. Then they could be paid according to the results in 10 years' time.

[87] However, that cannot be done overnight. It needs a lot of work by CCW and others to assess how it will operate. In Wales, we sometimes forget that important environmental habitats, and the biodiversity that everyone wants to protect, have survived until now because of the way in which farmers have farmed the land over generations. The assumption is that it needs to be protected now in order to save it, but perhaps we should look at why it is still there—it is because of the people that have farmed in those areas. They have the experience

and the skills, and that needs to be encouraged and enhanced.

[88] **Alun Davies:** Before I bring Mick Bates in, may I clarify a few matters? You talk about current biodiversity levels in Wales, but the reality is that we have seen an enormous loss of habitat and biodiversity in Wales. Therefore, there is an argument that current farming or land management practices are not protecting biodiversity as things stand. Perhaps we need to take drastic steps to maintain current levels of biodiversity, because we are losing it at the moment. Would you not agree with that?

[89] **Ms Nowell-Phillips:** No. This is a recurring problem. People cite research to demonstrate a loss of biodiversity because of grazing in the hills and suggest that farmers are destroying these areas, but you will generally find that much of that is historic. It is worrying if we are still losing biodiversity at such a rate, considering the level of agri-environment scheme participation that we have in Wales now. Certain bodies sometimes use the argument of the loss of biodiversity to achieve certain aims. When we are looking at the reality, we need to look at up-to-date research work.

[90] **Alun Davies:** So, you do not believe that we need to take any additional steps to protect biodiversity.

[91] **Ms Nowell-Phillips:** No, I did not say that. I said that I think that sometimes the picture of the acceleration of the loss of biodiversity is promoted when that is not what is happening on the ground. It is not a case of not needing to protect biodiversity but of looking at what we have and at what farmers have historically and traditionally done on their farms. It is a case of looking at whether you can work more closely with those practices, rather than going on-farm and saying, 'You have this, this and this on your farm; now we want you to farm it like this. What you have is important, but we are telling you how we want you to run it.'. That is why I mentioned the output approach, where you would say what you want—which might be that you want to enhance that habitat—but you would use the farmers' experience and generations of previous practice to do it. He knows his farm and the habitats that he has and, with help, that can be enhanced.

[92] **Alun Davies:** The clearest and perhaps purest output approach in the delivery of public policy objectives is option 3. However, the Farmers of Union of Wales, in its written evidence—and the National Farmers Union has also said this in a previous session—says that it would have very serious concerns about option 3 for other sorts of reasons. How would you marry those views?

[93] **Ms Nowell-Phillips:** Theoretically, an output-based approach can work on any of the options, beyond option 1. Option 1(b) could be for Tir Gofal to be reworked to provide, instead of a prescriptive approach, an output approach. Option 3, as has been pointed out before, is very selective and, as all farmers are modulated, it does not give them the opportunity to recoup some of the resources that they have spent from their single farm payment. So, option 3 from that point of view, I believe, will mean that areas of Wales that are not targeted and that are currently in agri-environment schemes, will lose the biodiversity and habitat protection that they have enjoyed for the past 10 years or more, for example.

[94] **Alun Davies:** Okay, but with regard to how we deliver these public policy objectives—'public goods' is how we described them earlier—without having a very clear, defined objective and a clearly defined input, whether that is from the industry, individual farmers or the Government in funding and other issues, such as advice and support, and without bringing those things together, it is very difficult to see how you would have these outputs. One of the criticisms that has been made of the Communities First projects in the field of social policy is that we have made a lot of inputs but we have not defined what exactly we want to see from that, and the result is that we have seen some very interesting

outputs but not the ones that we wanted to see. That does not necessarily mean that they are good or bad, but we are not where we want to be. The Government has said very clearly that, in relation to its environment strategy and to where it is going with this consultation, what it wants to see, rightly or wrongly, are these environmental public goods and what have you. I am not entirely clear from the written evidence that you provided how you would see those being delivered if you do not want these very clear structures put in place.

10.00 a.m.

[95] **Ms Nowell-Phillips:** All I am saying is that, in the evidence, there is a great deal of sympathy for the output-based approach. I also say that, because of defining how you are going to work the outputs and how it will all be based on the Wales environmental strategy objectives, or climate change, or carbon storage, it is not an issue for the short term. That is why I feel that the current rural development plan will not deliver the changes by 2013. We should be engaging others and we should start looking at whether it is possible to provide an output-based approach. Even if we chose option 3 and thought that it was the most wonderful thing in the world, we could not define the outputs that we want overnight. This requires a longer term view. I recognise that, but I also feel that there are merits in looking at an output-based approach. It needs to be defined whether that is for a water framework directive output within certain catchment areas or for carbon management in other areas. However, I was just raising the point that the consultation looks at the output-based approach. When we sat with stakeholders and engaged in our blue-sky thinking, we found that there were issues of public goods and selling or marketing the environment so that the public would pay for it. So, looking at different ways of compensating farmers is another approach, or another string to our bow.

[96] **Alun Davies:** Okay. I will bring in Mick in a moment. Brynle's final question to you touched on a matter that we discussed in the previous session. You and the NFU have said very clearly that option 3 is a blunt instrument and is probably not the best way to achieve the objectives that the Government seeks to achieve, which we might well accept. You have also both said that perhaps there is a need for much wider change in the industry, such as cultural change. Do you accept that? If so, how do you believe that it can be achieved within a relatively short time—and let us not kick this into the long grass—without using simply these very blunt instruments?

[97] **Ms Nowell-Phillips:** If you are talking about a major seismic shift in the way that axis 2 funds are being used, you will need far more than a few paragraphs in a consultation paper. Certainly, the questions that are coming back now about any option other than options 1 and 1(b) are unanswerable, even after talking to Assembly officials, because the details of those options have not yet been filled out to any great degree. Until we have more detail, it is difficult to move forward on huge changes. It is the great unknown. That is why I said that we need more than a two-year lead-in, because you will not convince the industry about this if you cannot now, in 2008, answer fundamental questions about how those schemes will pan out. That is not to say that options 2 and 3 could not be adapted to make them fairer on those farmers who are being modulated and expanded. I am not saying that. However, at the moment, until we get more flesh on the bones, asking farmers to take a leap into the unknown is difficult, particularly when the Assembly itself does not know the answers.

[98] **Alun Davies:** All three of the Members here have been discussing and debating different behavioural issues, in relation to environmental policy and so on, and we keep coming back to the hard reality that the best way to force cultural and behavioural change is to use financial mechanisms. That is probably a fair, if very superficial, statement. If you are saying that you do not want the Government to go down the route of option 3, which is the purest and hardest of these financial mechanisms, we need to understand how you believe that this cultural behavioural change and other changes can be achieved without going down that

road.

[99] **Brynle Williams:** May I come in on that point?

[100] **Alun Davies:** Let us listen to the answer first.

[101] **Ms Nowell-Phillips:** It is just about time, and having an explanation. Options 2 and 3 are just a few paragraphs that represent a huge change. On paper, and in those few paragraphs, it seems that there would be a seismic shift in resources around Wales; there will be winners and losers. When you are looking at introducing a scheme with a two-year lead-in, in two years' time, farms that are currently in Tir Gofal, are organic, and are getting less favoured area payments could end up with nothing, unless they happen to be in the option 3 targeted area.

[102] You could say that that is how the cookie crumbles, which is fine, but you will then have a social fall-out. Will achieving your environmental objectives—by ticking off boxes on the Wales environmental strategy objective areas—mean that you lose farmers from other areas, because their businesses fall through the floor overnight? As it is on paper, that could happen, and so that is where we are coming from.

[103] **Alun Davies:** Do you mind if we move on, Brynle? We are short of time, and I would like to bring Mick Bates in.

[104] **Brynle Williams:** Not at all.

[105] **Mick Bates:** Picking up on that last point, I am deeply concerned about incomes. We all know the pressures on incomes, and figures were presented earlier about incomes. What do you think will be the impact of the adoption of options 2 and 3, say, on farm incomes in the LFA?

[106] **Ms Nowell-Phillips:** We are in the great unknown here, are we not? There is no clarity in options 2 and 3 on what the impact will be. However, the suggestion in option 2 that there will be a basic scheme—although even that will have a points threshold—suggests that there will be farmers in the LFA who will not qualify for even the basic scheme. It will then depend on what that basic level will be, and the flat-rate premium within the LFA. What will the higher tier equate to? Will you have to have points? What will you have to provide for that? So, you are in the great unknown there, and that is the issue.

[107] It could be that the basic scheme will pan out quite nicely and there will not be huge swings. However, when you start looking at an overall budget and then spread it over an area to run a basic scheme, one has a feeling that there will be substantial winners and losers. It is how you manage that change that is important, or how you make transitional arrangements so that people have a sufficient lead-in period to have the opportunity to look elsewhere.

[108] **Mick Bates:** Two points arise from that. First, you say that there will be winners and losers. Do you mean financially?

[109] **Ms Nowell-Phillips:** Yes.

[110] **Mick Bates:** Would those people who lose out financially also find that that results in an environmental degradation because they would lose income?

[111] **Ms Nowell-Phillips:** That is the point, is it not? What do you do if your business is no longer financially viable? Since common agricultural policy reform, we have seen the withdrawal of stock from the hills, and we are starting to see stocking levels in certain areas



go down, because there is no longer any incentive for farmers to keep that stock, apart from the very low stocking rate under Tir Mynydd. If you are not getting any money from an axis 2 scheme, do you start intensifying? You then have to ask yourself, 'I cannot meet the objectives of that scheme, so should I start intensifying?'. I do not want to say that that will happen and that you will get huge environmental degradation, but, at the end of the day, farmers are businessmen and so, if they cannot support themselves from the axis 2 measures, even if they do not get out, they will be looking for other ways.

[112] **Mick Bates:** You are saying that, if you move to option 3, there is greater targeting, so the money is not distributed as evenly as it is now?

[113] **Ms Nowell-Phillips:** No. Well, from the little that we can see of the areas that are on option 3.

10.10 a.m.

[114] **Mick Bates:** That brings me to another point that is particularly pertinent if we have greater targeted schemes: often, farmers depend on payments in these schemes for their own business, and cash flow becomes increasingly important. So, the more targeting there is, the more emphasis there should be on cash flow and payments being made on time. To what extent should we consider the bureaucracy of these schemes, and how much they cost to run? Our experience of Tir Cymru and Tir Gofal is that, initially at least, the implementation costs—the bureaucracy and the project officers and so on—are high. Is that acceptable, because, if there is greater targeting, there will be a greater bureaucratic cost?

[115] **Ms Nowell-Phillips:** I agree. Any new scheme will have a bureaucratic lead-in because you have to put the software and staffing in place. However, I would say that, when Tir Gofal was run by the Countryside Council for Wales, its overheads were kept lower than they are now.

[116] **Mick Bates:** They are sitting behind you.

[117] **Ms Nowell-Phillips:** I will get brownie points then. [*Laughter.*]

[118] **Mick Bates:** Are you telling me that the Government is not running the scheme as well as CCW?

[119] **Ms Nowell-Phillips:** There is always an extra layer of bureaucracy. While we are on the subject, I will just say that my big concern about option 3 is the suggestion that environmental goods will be delivered in other areas through tightening up on cross-compliance. I have real concerns about that because it is increased bureaucracy and, from my point of view, it is getting it on the cheap. I imagine someone saying, 'We can tighten up cross-compliance with the good agricultural and environmental condition regulations so that we do not have to pay those guys outside the targeted areas, and then we can target the resources at the high-level areas'. I have big concerns about that suggestion.

[120] **Alun Davies:** I think that we have covered all the areas that we needed to cover in this session, so I am grateful to you for the time that you have taken to be with us this morning. You will be given a transcript of this evidence session, so you will get an opportunity to see that before a final version is published. I thank you again for the time that you have taken to produce a written submission and for your time this morning. We are very grateful for your help.

[121] Hoffwn wahodd aelodau o Gyngor I would now like to invite members of the Cefn Gwlad Cymru at y bwrdd yn awr. Countryside Council for Wales to the table. I

Croesawaf Mr John Lloyd Jones a Mr Brian Pawson. Yr ydym yn falch o gael y cyfle i drafod y materion hyn gyda chi ac o gael eich papur ysgrifenedig. Cafodd pob Aelod y cyfle i ddarllen ac astudio eich papur. Gofynnaf i chi ddechrau drwy gyflwyno sylwadau agoriadol. Ar ôl hynny, bydd gan Aelodau gwestiynau i chi.

[122] **Mr Lloyd Jones:** John Lloyd Jones wyf i. Bûm yn gadeirydd Cyngor Cefn Gwlad Cymru ers dechrau 2000, a Brian Pawson yw uwch-swyddog polisi amaeth y cyngor. Fel y gwyddoch, mae'r cyngor cefn gwlad yn cynghori'r Llywodraeth am faterion bioamrywiaeth, mynedfa a thirwedd a phethau eraill. Felly, mae agwedd amaethwyr a'r cyfle i gydweithio gyda hwy yn hollbwysig i ni, ac yn ffordd o gyflawni ein gwaith statudol.

[123] Mae gennyf fferm, ond nid af mor bell â Brynle a dweud fy mod yn '*practising farmer*' oherwydd byddai'r bobl sy'n rhedeg fy fferm yn dweud nad wyf wedi cael llawer o bractis yn ddiweddar. [*Chwerthin.*] Derbyniaf arian Tir Mynydd ac yr wyf mewn cynllun Tir Gofal.

[124] Yn ystod canol y 1990au, yr oeddwn yn y swydd y mae Dai Davies yn ei gwneud yn awr i undeb yr amaethwyr, felly yr wyf yn ymwybodol iawn o'r pwysau sydd ar staff a chynrychiolwyr yr undebau amaeth. Yn hanesyddol, yr oedd taliadau i'r ardaloedd llai ffafriol yn llinyn mesur ymrwymiad unrhyw Lywodraeth i'r diwydiant amaeth.

[125] Like both presentations that we have heard this morning, our reply has not been finalised, but in this short précis, I hope that we can show clearly the direction of travel. First, we welcome the integration that is at the heart of the rural development plan. It is how the bits fit together that will determine its success or otherwise.

[126] Secondly, we welcome the opportunity to see realignment of the schemes. We certainly know considerably more now about the importance of soil carbon, especially in upland peat, and the importance of water management. It is true to say that these were not strong parts of the Tir Gofal and Tir Cymen concepts in the beginning, because those schemes were, more or less, predicated on habitats and landscapes, for the simple reason that we did not understand the importance of soil carbon to the current extent.

[127] It is important to accept the fact that schemes evolve over time as we know more about them. The issue of changing contexts needs to be addressed within tight timescales. That is the fundamental reason why, in paragraph 4.5, we set out in detail why it would be extremely difficult to get a scheme up and running within a tight timescale. Also, there is the issue of whether it is wise to use that time, given the fact that by 2012, we may be in a

welcome Mr John Lloyd Jones and Mr Brian Pawson. We are pleased to have the opportunity to discuss these matters with you and to receive your written paper. Every Member has had an opportunity to read and study your paper. I ask you to start by making some opening comments, after which Members will have questions for you.

**Mr Lloyd Jones:** I am John Lloyd Jones. I have been chair of the Countryside Council for Wales since the beginning of 2000, and Brian Pawson is the senior agriculture policy officer. As you know, the countryside council advises the Government on issues of biodiversity, access and landscape, and other areas. Therefore, the attitudes of farmers and the opportunity to work with them are crucial to us, and is one way in which we carry out our statutory work.

I have a farm, but I will not go as far as Brynle did and say that I am a practising farmer, because the people who run my farm would say that I have not had much practice recently. [*Laughter.*] I also receive Tir Mynydd payments and I am in a Tir Gofal scheme.

During the mid 1990s, I was in the position currently held by Dai Davies in the farmers' union, so I am fully aware of the pressures on the staff and representatives of the agriculture unions. Historically, payments to the less favoured areas were the yardstick of the commitment of any Government to the agriculture industry.

significantly different scenario. Therefore, our recommendation is that we explore an enhanced 1(b) option along with a modified Tir Gofal. Obviously, our preferred direction of travel would lead us to the second option, but our recommendation is that we use the time available to us to set up pilot schemes in some areas that will lead us to explore some of the concepts put forward in options 2 and 3 to address some of the issues that you have heard about today. In fact, we have started on one of those pilot areas in the Cambrian mountains. Interestingly, we are trying to address some of the questions that have been posed today.

[128] Within those pilot areas, we recommend taking a look at part-farm schemes. In a very real way, a part-farm scheme is actually a targeted scheme—you are not targeting the entire farm; you are targeting part of the farm. Paragraph 4.8 gives the rationale for why we have changed our stance in that regard, because, before, we were very much in favour of whole-farm schemes.

[129] Finally, we recommend that a monitoring programme be an integral part of the pilot scheme to give us a clear understanding of what we are monitoring and why we are monitoring it. When we do that, it will be far easier for us to answer fundamental questions, such as, ‘Are we successful?’ and, ‘Are we delivering what farmers are being paid for?’.

[130] **Mick Bates:** Thank you for the paper. I am sure that you noted the compliment paid to you by the FUW, namely that you used to run the Tir Gofal scheme very well. That is an issue that we need to take up at another stage perhaps.

[131] **Mr Lloyd Jones:** You would not expect me to answer that on the record, would you?

[132] **Mick Bates:** No; I do not expect you to comment. [*Laughter.*]

[133] In your paper, you highlight your vision for the CAP and for our direction of travel. The commission has already said that this review of the rural development plan has to take greater account of environmental issues. Do you think that sufficient account has been taken of introducing the right measures to address issues of biodiversity decline, water management, and climate change?

[134] **Mr Lloyd Jones:** Obviously, those fundamental questions will be addressed by how it works. It is very important now that we give a clear message to the commission about the direction of travel, and that is the basis of our recommendation. Brian, do you want to add to that?

[135] **Mr Pawson:** Only to say that the direction of travel is being signalled by the current CAP health check. The new challenges that the commission has identified are basically those of water, biodiversity, climate change and bioenergy. We feel that the first three can be significantly addressed through axis 2. The difficulty of the CAP health check for the UK, perhaps to a greater extent for England than for Wales, is that the commission proposes swapping compulsory modulation for voluntary modulation, with the consequence that, as you increase voluntary modulation by 1 per cent, you make a corresponding reduction in compulsory modulation. I will not go into the complications of that as we did at the Committee on European and External Affairs, but if one does not play it right, countries in the UK could end up with less money than they have at present.

10.20 a.m.

[136] So, the essence for the UK and Wales, particularly, is to make the point that we support the direction of travel, because the CAP health check will not necessarily mean that we will have more money, at least until 2013. The calculations are that if you applied all of the bells and whistles that are being talked about, Wales might end up with about £5 million

more over the context of the current rural development plan, but when you are talking about £88 million in axis 2 every year, it is a relatively small amount. However, it is the direction of travel that is being signalled that is important, and how you make the best use of the money that we currently have in axis 2, which is where our evidence has centred. That is why we support the current axis 2 review process within Wales, because it talks about how we make the best use of scarce resources.

[137] **Mick Bates:** I notice that you have mentioned bio-energy as part of the general issues in the direction of travel that we are taking. I note in your paper that you are not keen on that. Why is that so?

[138] **Mr Pawson:** I have noted it because it is one of the commission's four challenges, so I thought that, if I did not mention it, you would say 'Ah, but there is a fourth challenge'. We are suggesting that we would need to proceed carefully on that because bio-energy is part of the climate change challenge, or that is how many people would perceive it, and we think that there are more issues that one could tackle upfront in relation to climate change and securing soil carbon, rather than issues about how you substitute bio-energy for fossil fuels. Secondly, there is an issue about what is the best way of stimulating a bio-energy market; it is a classic dilemma of whether or not we stimulate supply or demand. In Wales, we do not have the capacity to grow large areas of cereals or short-rotation coppice, but we do have capacity for smaller scale areas that could supply local markets, so we think that more emphasis should be placed on stimulating demand at a local level and then building the industry around it, rather than pumping money into supply and seeing that there is no market for that material.

[139] **Mr Lloyd Jones:** There is also some interesting work going on at the moment in high-energy or high-sugar grasses, so you could have a dual system where part of the grasses are grown for bio-energy and other parts are grown for animal production.

[140] **Mick Bates:** There are many possibilities in that regard, but I wish to get back to the environmental issues that are fundamental to this matter. There was much criticism of Tir Mynydd in the mid-term review, so can you elaborate on your views of Tir Mynydd and how effective or ineffective it is in delivering the environmental goods that were being demanded and which will be increasingly demanded?

[141] **Mr Pawson:** I remember that you asked a question about this in the evidence that we gave during the investigation of the rural development plan. The difficulty with Tir Mynydd, as it is currently constituted, is that you could easily have a 100 ha farm on which many public goods are being delivered, and you could have another 100 ha farm on which rather fewer public goods are being delivered, and Tir Mynydd will pay those two farmers the same amount of money. The issue is not that Tir Mynydd does not deliver public goods—I concur with the points that FUW and NFU made, that these schemes often deliver environmental benefits—but whether the current design of the scheme is the best way of doing that. We are not convinced that it is.

[142] We think that it would be possible to redesign Tir Mynydd so that it was more focused on the delivery of environmental goods, while continuing to support those farms that farm in a way that supplies the public goods that are being looked for. We think that that is more in line with the commission's concerns about how the LFA is constituted, because the regulations say that the LFA programme is there to support farming that supports the maintenance of the countryside, and not necessarily farming per se in the uplands. These are narrow points, but we think that you could re-orientate the scheme so that it will still deliver a lot of support to the farmers who farm in the way that they do at the moment, but, at the same time use the scheme to encourage farming that would help to deliver against the 3 per cent carbon reduction targets, for instance. That is another ongoing inquiry, and if we are to use the tools in the axis 2 tool box, how will we best use them?

[143] **Mick Bates:** My concern is that Tir Mynydd currently delivers to everyone. There is a fixed amount of money, and if you move towards option 3—although you recommended option 1(b), I get the feeling that you would like to see extra targeting—you will automatically find that there will be losers. I put it to the FUW that it may, therefore, lead to a diminishing of the environmental quality on the farms that lose money. Do you think that that would be the case?

[144] **Mr Pawson:** We have not said that we favour a particular option. We do not think that any of the options, as they are currently constituted, despite the lack of detail, as was alluded to, are quite the way that we should go. What we have said, making the same point as the farmers' unions, is that going from where we are now to where we would like to be in the space of two years would require a seismic shift and an awful lot of organisational work. We are not saying that we should do nothing in the meantime or until 2013. One could tweak Tir Mynydd in the way suggested by option 1(b). We are not entirely convinced that you need to put more money into Tir Mynydd to make it more like option 1(b); at the moment, the paper talks of a cost of about £27 million for option 1(a), and, I think, £31 million for option 1(b). I personally do not see why one cannot use the £27 million to deliver the kinds of things that are talked about in option 1(b). That is what we mean by using some of the option 1(b) ideas. One could go further than that and look at some of the ideas at the back of the consultation paper about how one manages carbon and build them into Tir Mynydd too.

[145] As far as Tir Gofal is concerned, we are simply saying that we have a scheme that is already quite sophisticated. It is possible to make it more sophisticated, so that it deals with things like climate change that were not on the agenda when it was designed, and, at the same time, do some testing, as John Lloyd Jones suggested, on some of the other ideas about integrating that are proposed in the consultation paper; obviously, that is the tricky bit. We could also test some of the ideas about payment by outputs. We have done a piece of work on this with other countryside agencies, looking at other approaches across Europe on what we call payment by results, which is essentially what we are talking about with payment by outputs. It is not easy to go from where we are to payment via results. If you are going to pay by results, someone has to go out to measure the results. There is also a culture shift, as you have already mentioned, because if you do not deliver the results, how much do you get paid? Will there be an argument about whether you have delivered all of the result or some of it?

[146] The interesting thing that arose in the places that have done this—largely the Netherlands and Germany—is that, where they have started to introduce these approaches, they have done so incrementally. Let us take a real example and say that, for hay meadows in Bavaria, we are looking for less of certain plant species like white clover, which do not feature in unimproved hay meadows. You need to go out to measure your species counts. The scheme administrators there have been working with farmers, so that farmers can measure their own results, and a certain amount of that is crosschecked by scheme administrators. A certain proportion of the payment is delivered if you have followed the prescriptions—you have grazed at the right stocking level, you have not used the wrong kinds of fertiliser—and a certain proportion of the payment is delivered on the basis of results. Then, you do not end up with a problem where someone, it could be argued, has done all the right things, but ends up with no money because they did not get the right results. That might be a market-based approach, which, you could argue, is an approach that applies more in the real world of farming, but it would be a huge shift to go to that.

[147] **Mr Lloyd Jones:** There is another problem. If you are paying by results across a catchment area, everyone is dependent on the actions of their neighbouring farmers.

[148] **Mick Bates:** Absolutely, I am interested in the concept of co-operation on environmental schemes, but it does not form part of this. However, returning to the point that

you made, Brian, which I find interesting, it seems to me that we have many of the basic blocks for the schemes that you described in Bavaria—Tir Gofal is right there—and you talked about the gradual process of moving through that. Are there enough existing strengths in our Tir Mynydd, Tir Cynnal and Tir Gofal schemes to move forward? It seems to me that you described all our schemes at the moment, and that we do not need to change much.

10.30 a.m.

[149] **Mr Pawson:** To go back slightly, we make the point at the beginning of our paper that there are many challenges and issues that we need to address. The bottom line is the Wales environment strategy, the targets on statutory sites, and the targets for biodiversity action plan habitats. When we talk about biodiversity decline the easiest thing is to say that many of these things are a bit of a curate's egg. There are areas where it can be argued that you have a substantial proportion of the farming population in agri-environment schemes delivering better management of habitats. We have the UK agri-environment award winner at Slade farm in Glamorgan. That award was presented last month for the good work that has been done in managing for farmland birds. At the same time, we have a situation where the curlew or the lapwing may be lost as breeding species, and the number of marsh fritillary butterfly colonies continues to decline. I think you have to reach a judgment about biodiversity decline or recovery based on the fact that we are talking about lots of different species over lots of different groups in lots of different places and then you are kind of adding up apples, pears and bananas and saying, 'We come to an answer'. I think that we would say that although there are some good things going on, there are also things that we still need to try to deal with.

[150] The difficulty is that, in our current schemes, Tir Mynydd currently takes around one third of the axis 2 budget. We think that Tir Mynydd could be re-orientated to deliver a lot more for water quality and carbon management. Many of the farms that are currently getting LFA payments are the farms that have the carbon and the water; we are just saying that Tir Mynydd requirements could be tweaked to ensure that you manage those assets in the way that other aspects of Welsh Assembly Government policy require. At the same time you could also tweak Tir Gofal, but we still feel that it would be better to move, by around 2013, towards something like one of the option 2 measures. However, I do not think that I would design it myself in quite the way that option 2 suggests. I think that I would personally have a basic level scheme that covers all of the issues: you do the simple things on water, carbon and biodiversity and do not necessarily have too many project officers. Then, your top-tier scheme is the one where you have your project officers. The difficulty is around how to balance out getting exactly what you want against cost. We have all said that if you really want a guide to what is happening, you probably need to have project officer involvement. How do you balance that against running the schemes at reasonable cost? The more people that you have on the ground, the higher the costs. Therefore, it is a question of how you balance these things out.

[151] **Alun Davies:** Thank you. Before I call on Brynle, I want to ask you whether the Countryside Council for Wales believes that these public environmental goods are being delivered by the current schemes.

[152] **Mr Lloyd Jones:** Yes, but as Brian has outlined, they could be done better. That is where we start and that is why we are suggesting these changes in order to get more out for our money.

[153] **Alun Davies:** Does the Countryside Council for Wales believe that the Welsh Assembly Government is on target to meet its objectives as outlined in the Wales environment strategy, for example, on biodiversity?

[154] **Mr Lloyd Jones:** Those targets are there. It is up to all of us to try to make sure that those targets are achieved. Obviously, there are technical difficulties about achieving some of the targets in the habitats directive, but that is more to do with how the directive is worded.

[155] **Alun Davies:** Thank you. Could you be slightly more precise in your answer?

[156] **Mr Lloyd Jones:** Yes, certainly.

[157] **Alun Davies:** Is the Government currently on target to meet those objectives? I use biodiversity as an example.

[158] **Mr Pawson:** If we look at the target for sites of special scientific interest and international sites, it is to have international sites under management that will deliver a favourable condition by 2010. However, 58 per cent of them, we think, based on the survey work that has been done, are currently in favourable condition. The chances of getting them all into favourable condition by 2010, bearing in mind that there are only two years to go, do not look that high but the issue is getting them into the right management so that we can get much more of them into favourable condition. You will not get some of these sites into favourable condition for 20, 30 or 40 years.

[159] **Mr Lloyd Jones:** That was the point that I was making. The habitats directive's definition of favourable conditions is that all of the qualifying features must be in favourable condition, and it would be extremely difficult in some of these sites to achieve that. What we can do is get close to getting all those sites within favourable management, in other words going in the right direction, although they may not be legally achieving the definition of favourable condition as set out in the habitats directive.

[160] **Alun Davies:** I suppose that I was optimistic in hoping for a 'yes' or 'no' answer. [*Laughter.*] We had a brief debate in the previous session about biodiversity, which I believe is one of the key determinants of the success of the policy. You provide advice to the Government and to the Minister, so, if the Minister asked you, 'Am I on target?', would your answer be 'yes' or 'no'?

[161] **Mr Lloyd Jones:** I will refer you back to my previous response—it depends entirely on how you define that target.

[162] **Alun Davies:** The Wales environment strategy does that for us, does it not? So, the question is how well the Government is doing according to the targets that the Government has set itself.

[163] **Mr Lloyd Jones:** We have a target to halt biodiversity loss by 2010. Whether that target was ever achievable when it was signed up to is questionable.

[164] **Mr Pawson:** Another way of looking at it, as we state in our evidence, is that 24 per cent of sites that are under agricultural management are under Tir Gofal agreements, and the proportion that are under section 15 agreements that we deliver ourselves is about the same. So, about 50 per cent of the agricultural land on international sites is under some form of agreement, and the tools that we have available are the section 15 budget, which we use fully, and the axis 2 programme. The major tool for delivering those sites is currently Tir Gofal. So, I think that that gives you an answer as to whether resources could be realigned.

[165] **Alun Davies:** Yes, it does give us that answer. [*Laughter.*]

[166] **Brynle Williams:** If we wanted to achieve the target fully, a lot more money would need to go into the Tir Gofal scheme at present, not the cut backs that we are now seeing. The

delay in getting farms into the scheme is hampering the situation; we are unable to achieve this fast enough.

[167] **Mr Pawson:** Basically, there needs to be a realignment of financial resources. The essence of our paper is that, ultimately, one must box clever, because there is only a limited amount of resources. It is also about how you deliver all of the things that we want to deliver. We have focused on biodiversity, but one of the things that we like about the consultation is that it is making the point that you can build an integrated approach. The farms that have carbon in their organic soils are encouraged, through the agri-environment scheme, to do the kinds of things that are mentioned in the back of the consultation to safeguard soil carbon, and many of those things are quite simple and could be delivered under a simple scheme. You could then do things on top that would deliver for water quality and for water management, and that could also benefit farming at the same time; there are examples in Wales of those kinds of approaches. At the same time, you can help the water companies by ensuring that the water that comes out at the end of the system is cleaner.

[168] However, a lot of the work that you do on those farms could potentially benefit biodiversity on top of all of that, so it is about how you make the resources that you have go further. That is why we think that the essence of what this consultation is talking about is correct. What we are concerned about is how we get from where we are now to where we would like to go. We suggest that you tweak current schemes, because you have those tools available, do some experimentation, and then put the new schemes in place. However, what we do not want to suggest in any way is that we have time to wait because, ultimately, we have these priorities set across the board, and we cannot meet them if we spend too much time debating how we are going to do it.

[169] **Alun Davies:** Brynle's point was about additional resource and your answer was about the realignment of resource, which are two different things. Your answer, in some ways, in its philosophical approach, leads us directly to option 3, in providing resources that are realigned to achieve the policy objectives established by the Wales environment strategy and wider Government policies. However, you are not quite saying that, and I am curious as to why CCW would say that, although the objectives need to be achieved, they never will be achievable. That is almost what you seemed to be saying.

10.40 a.m.

[170] **Mr Lloyd Jones:** That was on specific targets such as halting biodiversity loss.

[171] **Alun Davies:** You seemed to question whether the target was achievable when it was set. Are some of these targets simply badges, or can we achieve them using the policy options that we have in front of us? We should note that the purpose of these schemes is to maintain an industry and a social fabric in upland Wales.

[172] **Mr Pawson:** The biodiversity target is made up of many components, and that is the difficulty. If the target is made up of 100 components, and each of them breaks down into five sub-components, and you fail on five sub-components but succeed on 495, have you met the target or not? It is about how it is measured. You can spend the resources available to get a long way towards meeting those targets. The previous witnesses made the point that it is not quite clear what options 2 and 3 will look like. I am not entirely convinced that there would necessarily be a huge realignment of resources according to spatial distribution under option 3—it basically involves focusing on carbon and water, with a biodiversity approach across the rest of Wales. I find option 2 easier to imagine, in that it involves a simple scheme where you deliver your objectives at a simple level, without necessarily using too many project officers. Then you have a more targeted scheme. If you are concerned about redistribution, it is partly a question of how much money you put into the basic scheme, and how much into the more



targeted scheme; the way that you deliver the more targeted scheme is also important. All of our current schemes have spatial implications anyway.

[173] **Brynle Williams:** Following on from that, what is the best way of moving to new agreements without causing disruption to existing ones?

[174] **Mr Pawson:** Essentially, it depends what kind of option we are talking about. If you were designing an entirely new scheme, you would go through a design process, and, as I have indicated in our evidence, that is quite complicated. Ideally, one would develop a new scheme by drawing in as many partners as possible, and that is how Tir Gofal was designed, for instance. That is a reasonably drawn-out process.

[175] It is easier to conceive of designing a new scheme and making some modifications to your existing schemes, which you can make on an annual basis by going back to the commission, and then giving existing agreement holders new agreements to sign up to. The new agreement could then continue for another five years until the new scheme is available. These are technical ways of managing a transition. However, there were debates around previous schemes—Tir Cymen and environmentally sensitive areas, for example—as to how we make the transition to new schemes. Going back seven or eight years, there was a debate about whether we should target existing agreement holders, and safeguard the investment that has already been made, or ask them to re-apply along with new applicants, and take their chances. That way, new people have a chance to access the system. The decision at the time was that it was more equitable to allow new people to apply. So, essentially, if you design a new scheme, there is always a risk that people in your existing scheme will not necessarily qualify.

[176] **Brynle Williams:** You obviously have considerable experience in administering agri-environment schemes. How important are project officers to the effective working of such schemes?

[177] **Mr Lloyd Jones:** Absolutely crucial. They are almost entirely dependent on the skills of project officers. Interestingly, when we analysed the jobs of project officers working for CCW administering Tir Gofal, we found that the vast majority of them were either the sons and daughters of farmers, or people who had part-time holdings themselves. So, I would argue very strongly that it helped the rural economy, because they were a part of that rural economy and were contributing towards it.

[178] **Mr Pawson:** In addition, it is one thing to follow a prescription because the scheme rules tell you that you should and you will be paid a certain amount of money in return, but the advantage of having a project officer is that they can answer the questions about why you are being asked to do particular things. There has been an analysis of the role of project officers in the catchment-sensitive farming pilot schemes. Certainly, the work done by Bangor University showed that, as time went on, those involved had a much better understanding of why they were doing what they were doing. You could argue that some of the things that one tries to encourage people to do through agri-environment schemes have economic spin-offs anyway. So, in a sense, if you use your project officers correctly, you are helping to manage the cultural shifts and the process of change that you were talking about earlier. If you simply say, 'Here are the rules; follow them', I do not think that you can expect attitudes to have changed that much at the end of 10 years.

[179] **Alun Davies:** Thank you. I would like to bring this session to an end, but Mick wanted to ask a very short question.

[180] **Mick Bates:** I would like to raise just one point on this. I am really interested in your final comments, because, hitherto, we have talked about individual farmers' working, and you

have just talked about catchment-sensitive areas. To what extent can you achieve more if a group of farmers co-operate on environmental issues rather than just taking the scatter-gun approach of using individuals?

[181] **Mr Lloyd Jones:** You already have a very good example of that on your own doorstep with the Pontbren project. With the Cambrian mountains pilot, we are looking at how we can take this concept even further by tying in the marketing and the environmental advantages, thus strengthening the rural economy and the social good to people living there. To do that, you cannot develop that as four separate strands; you have to find ways of integrating it, so that the environmental work underpins the marketing badge.

[182] **Mick Bates:** Chair, I know that we are coming to the end of this, but would it be possible for us to receive more information about this concept?

[183] **Mr Lloyd Jones:** This is very much in the early concept stage, but that is the direction that we are taking. In fact, there are marketing bits already up and running. It raises interesting questions, such as those on the geographical area, because, if you have a marketing brand, that brand has to be legally defined.

[184] **Alun Davies:** Okay. We need to bring the session to an end. I am very grateful to you for your support in answering questions this morning. It would be useful if we could receive a note on that final point. We understand that it is still being developed, but it would be useful if we could receive a note on what you hope to achieve and the different elements of it.

[185] **Mr Pawson:** We also have a piece of work on payment by results, which you might find interesting.

[186] **Alun Davies:** It would be interesting to receive that information, as well. We are very grateful to you for the time that you have taken this morning to answer questions from Members, and for providing us with a written submission for this inquiry. You will receive a copy of the transcript within the next week or so, before the final version is published. We are grateful for your time this morning.

[187] Bydd toriad byr o ryw bum munud There will be a short break of five minutes  
cyn inni ddechrau'r sesiwn nesaf. before we start the next session.

*Gohiriwyd y cyfarfod rhwng 10.48 a.m. ac 11.03 a.m.  
The meeting adjourned between 10.48 a.m. and 11.03 a.m.*

[188] **Alun Davies:** Trefn. Croesawaf Simon Neale a Richard Davies i'r cyfarfod yn awr. Diolch am eich amser y bore yma, a diolch hefyd am eich tystiolaeth ysgrifenedig. Gallwch gymryd yn ganiataol bod pob Aelod wedi cael cyfle i'w darllen.

**Alun Davies:** Order. I now welcome Simon Neale and Richard Davies to the meeting. Thank you for your time this morning, and for your written evidence. You can take it for granted that all Members have had an opportunity to read through it.

[189] Pe baech yn treulio tua munud yn mynd drwy brif elfennau eich tystiolaeth, bydd gan yr Aelodau gwestiynau i'w gofyn wedyn. Felly, gofynnaf ichi gyflwyno eich hunain ar gyfer y Cofnod a gwneud ychydig o sylwadau agoriadol er mwyn inni allu symud yn syth at y cwestiynau.

If you could take about a minute to outline the main points of your evidence, Members will then have questions for you. Therefore, I as you to introduce yourselves for the Record and then to make a few opening remarks, so that we can then move straight on to questions.

[190] **Mr Neale:** Diolch yn fawr. First of all, I thank the Assembly's Rural Development

Sub-committee for allowing Environment Agency Wales the opportunity to give evidence before you today. My name is Simon Neale, and I am Environment Agency Wales's land quality policy and strategy manager. My colleague, Richard Davies, is our agricultural policy officer.

[191] The Environment Agency is the principal environmental regulator in Wales and England, with responsibility for the protection of soil, air and water. We are strong supporters of a strategic approach to land management in Wales. We are fundamentally interested in two things: how the environment operates as a physical system, and how it can be best managed to meet man's overall needs. For us, the question is not how land can be best used for food production, gathering water, reducing flooding, providing a home for wildlife, or for recreation purposes, but of how it can best be managed to meet all those needs at the same time. In short, we seek to maximise synergies and reduce conflicts.

[192] The problem is that the countryside as we know it is changing before our eyes. It is changing for local reasons, that is, what we have done here in Wales, and for global reasons, particularly as a result of climate change. That means that land management practices that we have taken for granted over the past 50 years will not be appropriate for the next 50 years. The pace of climate change may be subject to debate, but the direction of that change is beyond doubt. Even the most optimistic forecasts point to the need for a sustained, joined-up response that is unprecedented in peacetime. This is why we see the current reform of CAP, and especially the review of axis 2 funding, as being absolutely crucial. For us, it marks the first concerted move away from simply maintaining the status quo of agricultural production towards a system of flexible, holistic management that recognises the nature and scale of the challenges facing us. If we get it right, vast swathes of rural Wales will be a source of sustained social and economic advantage for us all; if we get it wrong, it will mean a social catastrophe and an economic millstone around our necks. The stakes are that high. Against that background, we provide you with a number of specific observations on the current consultation. We think that these are the things that need to be done now so that we can set off firmly in the right direction to meet squarely the challenges of the future.

[193] This review provides the opportunity to align land management actions under axis 2 to deliver the policy outcomes detailed in the Welsh Assembly Government's Wales environment strategy. Our preferred option for the future structure of support for environmentally sustainable land management in Wales is option 3. We recognise that that represents a significant change in emphasis for land management schemes. However, the pressures being placed on the natural environment by climate change and current land management practices require a fundamental shift in our response. Thank you.

[194] **Alun Davies:** Diolch am hynny, ac am gymryd cyn lleied o amser fel y cawn ganolbwyntio ar gwestiynau. Gwerthfawrogwn hynny'n fawr. Brynle Williams fydd yn gofyn y cwestiwn cyntaf.

**Alun Davies:** Thank you for that, and for taking so little time, so that we may concentrate on our questioning. We greatly appreciate that. Brynle Williams will ask the first question.

[195] **Brynle Williams:** Could you tell us about the significance of the debate on land management schemes?

[196] **Mr Neale:** It provides us with a massive opportunity to face the environmental challenges that are before us. Climate change is challenging us on all fronts. The review of the land management options under axis 2 provide us with the opportunity to respond to those challenges in a positive way and to move forward.

[197] **Brynle Williams:** What would be your priorities for any new schemes? What is the level of urgency associated with these issues?

[198] **Mr Davies:** If I may answer on that point, linking to your previous question as well. Our land management schemes were designed at a time of different priorities. Now, there are many challenges that land managers and wider society have to meet. They include the framework directive obligations and climate change issues. The environment around us now will not necessarily be the same in the future. There are challenges, but this land management scheme offers a golden opportunity to deliver wider public goods and environmental services, with the land managers themselves at the coalface.

[199] **Brynle Williams:** Do you believe that there is sufficient funding in axis 2 to address these concerns?

11.10 a.m.

[200] **Mr Davies:** At the moment, there is a multitude of environmental challenges, and we cannot get away from that fact. From our point of view, it is important to maximise our current resources to deliver the multiple goods required and make best use of the available resources. If additional funding is required, that will have to be considered further down the line, but how those funds will be generated and obtained will be open to further discussion. However, more importantly, if that is the case, the land managers who may lose some funds to promote this type of initiative must have an equitable chance to get that money back and to participate in the schemes under consideration.

[201] **Brynle Williams:** Finally, in your submission, you advocate the benefits of a tiered approach. What are the advantages of such an approach?

[202] **Mr Neale:** We believe that a tiered approach allows a targeted approach to catchments with specific issues, but also provides a wider scope for the agricultural community across Wales to join in agri-environment schemes.

[203] **Mr Davies:** I would like to add that agri-environment schemes have been developed over time and there have been concerns in the past about the importance of such schemes being attractive to all farm enterprises and all farming types. It is important to have a tiered approach in future land management schemes because it makes options available to farmers to participate. However, an important point to bear in mind is that an element of targeting will be required, which Government priorities will dictate.

[204] **Mick Bates:** Thank you for your paper. It places a high priority on collaboration and catchment or landscape-scale initiatives. Why is such action so important, and what is the best way of encouraging it?

[205] **Mr Neale:** I will start and Richard may wish to join in afterwards. I draw your attention to Pontbren and the experiences there where, on a catchment scale, farmers have worked collaboratively to develop land management practices that have supported both flood risk- management type options and assisted them with their farming practices in a more viable and economic way. Landscape-scale action is the only route to overcoming some of the issues that we are faced with, particularly the flood risk management challenges.

[206] **Mr Davies:** To echo Simon's comments, improving environmental performance on all farms is a key aim for us. We do that through various means, but some of the environmental pressures facing the agricultural sector can be tackled on an individual farm basis and on a collaborative basis, which is even better. It is important with regard to meeting water framework directive obligations and tackling issues of climate change that farmers cooperate to deliver the public goods required. In that sense, it is important that wider society recognises the collaborative actions that farmers undertake.

[207] Initiatives such as Pontbren, which we support in tandem with other stakeholders, have shown how farmers have worked co-operatively to deliver wider public goods, but have also, from our point of view, introduced innovative land management techniques that have had an impact, as I know through discussion with colleagues, on soil erosion and certainly on peak water flows, reducing flooding further downstream. It is an initiative that we supported because it came from the industry itself, which is something that we welcome.

[208] **Mick Bates:** Making reference to the chart in the appendix in the consultation document, could you comment on why, for example, your catchment-sensitive scheme, about which you have just spoken so eloquently, does not meet the aim of retaining soil carbon? This policy is in the legislative fit table. It is in your paper and you place great emphasis on this legislative programme because you are responsible for that legislation.

[209] **Mr Davies:** On the soil carbon issues, we work closely with the National Soil Resources Institute in Cranfield on this. As part of our catchment-sensitive farming, we have catchment co-ordinators talking with farmers in an advisory capacity. They did a useful report for us on the opportunities offered by soil carbon and how innovative techniques undertaken by farmers on the ground can improve soil and carbon benefits. From our point of view, we are keen to look at introducing a further amendment to the feasibility study, and we are willing to supply you with the conclusions that we have received on that report, because it is a firm basis upon which we can take things forward.

[210] **Mick Bates:** It would be useful to have that information, because it seems that the legislative fit chart is something that we need to work on to ensure that we can deliver the environmental goods, but not in a way that jeopardises the viability of other businesses, so it may be the way forward.

[211] **Alun Davies:** Just to clarify for the record, may I ask that we request a further written note on that, subsequent to this meeting?

[212] **Mr Davies:** Yes, certainly.

[213] **Mick Bates:** Finally on this issue, you come down clearly in favour of greater targeting of resources through option 3. Can you say briefly why that is the case, and what will be the impact and the importance of land managers to deliver that greater targeted approach?

[214] **Mr Neale:** We need to appreciate that the targeting is to resolve identified issues, so it is targeting to address an issue. In some areas, it might be targeting to address soil carbon issues, in other areas it might be to address water quality issues, and in other areas it might be to address flood risk management issues. To take flood risk management as an example, single farms taking action in a catchment that may have many farms will not have the best benefit in the way that the catchment responds hydrologically. You need to include a large percentage of the catchment to improve flood risk management to the right scale, and that would also be the case for water quality.

[215] **Mr Davies:** Linked to that, with regard to option 3, the option has been well written because it addresses the issues that everyone wants to address. Option 3 is in a position to deliver on the Wales environmental strategy outcomes, the policy aspirations of the Welsh Assembly Government, and, in the same breath, the issues on the EU challenge agenda. Climate change is a reality, and looking at the issues of soil carbon and soil conservation and the wider issues of water quality and flood risk management requires a targeted approach. With regard to the way in which option 3 is laid out, it identifies areas where soil carbon will be important. If there are areas where we can have multiple priority wins, better still, but

sometimes you must have something at a sufficient scale to make the impact required. However, there is also a need for appreciation, as we said in our paper, that wider society recognises that farmers deliver quality agricultural produce, but also wider public benefits.

[216] **Mick Bates:** On that point, we have heard from other witnesses that there is no time to go through the consultation and restructure the whole thing in the next year and a half. Do you agree with that, and do you think that we need more time to put in place all of the options that you like so much under option 3?

[217] **Mr Neale:** Climate change is occurring now, and we need the tools to be developed quickly and put in place expeditiously, so that we can start to act to mitigate the effects that we are seeing from flood risk management and to think about carbon conservation and carbon sequestration. We need to get into that as soon as we possibly can.

[218] **Mr Davies:** We recognise as an agency that option 3 is a significant change of emphasis for land managers, but given the challenges that the industry currently faces and will inevitably face in future, we need to try to change the mindset. Transitional arrangements will also need to be in place, and that will have to be debated at another time, but there is an important role for farmers in food production but also in the delivery of the wider public benefits that society requires.

11.20 a.m.

[219] **Alun Davies:** You are the fourth set of witnesses this morning and you are the first to suggest that option 3 would be a realistic policy alternative for the Government. Both the farming unions regarded it, in different ways, as the worst-case scenario. I will bring in Leanne Wood in a moment but, before I do that, I want to ask you whether you believe that option 3 would have a significantly adverse impact on the vitality and viability of the agricultural industry.

[220] **Mr Neale:** There are two elements to option 3; there is the targeted approach in catchments where there are specific issues, and there is the Wales-wide option that uses Tir Gofal to effect other environmental improvements. To that end, it is open to all farmers to become involved in that.

[221] **Mr Davies:** As Simon says, in option 3 there are areas that will be targeted with regard to soil carbon and conservation. There are issues linked to water quality and flood risk management, and there are issues outside the targeted areas that we are looking at, on an expanded Tir Gofal delivering more widespread and diverse farming units into the scheme. Option 3 is a change in emphasis, and we fully recognise that, but it is what land managers are supposed to be delivering. That will be a cultural change for them, and, as I highlighted before, I highlight again the importance of transitional arrangements in this regard. We now have the Wales environment strategy at our disposal. The previous agri-environment schemes were devised in a period when there were changing and different priorities. There are challenging priorities now and there will be challenging priorities in future. From our point of view, option 3 is challenging, but it is an option that, once implemented, will not require major changes or revamps in future years.

[222] **Mr Neale:** To enhance that further with regard to our current position and what might be included in option 3 for soil carbon, the current Tir Mynydd scheme is fairly coincident with the soils that would be of most interest, such as soil carbon, soil carbon sequestration and soil conservation. So, there is a reasonable, if not significant, overlap between those two areas. We may call the scheme Tir Mynydd at the moment, but in certain areas in the future, we might have some other name for a scheme that would be doing similar things, or enhanced things, to look at soil conservation and carbon sequestration.

[223] **Alun Davies:** In your evidence, and you have repeated it this morning, you said that,

[224] ‘Option 3 represents a significant change of emphasis for land managers’.

[225] However, the NFU described this as the worst-case scenario, saying that it was,

[226] ‘completely untenable and would detract from positive land management activities outside the targeted areas and particularly undermine the good and valuable land management work’.

[227] It also said that it would,

[228] ‘undermine the economic viability of those holdings outside the targeted areas’.

[229] Do you think that the NFU is wrong?

[230] **Mr Neale:** If I may say so, I think that the issue is the phrase ‘targeted areas’ and where those targeted areas may be. In this document, we do not have that information, but I suggest that, looking at the distribution of the soils of interest with respect to soil carbon, they are coincident with much of the Tir Mynydd areas. So, I would suggest that the name of the scheme might be changed, but we might be doing slightly different work in the same areas. We must not forget that there is a Wales-wide element to option 3, which is Tir Gofal, and that would be open to all farmers. However, this paper does not present us with a fit of change, in that sense.

[231] **Alun Davies:** I appreciate that, but, surely, the principal of the targeted approach is that you place your resources and maximise their impact in a particular area. If you are targeting that, I do not see how you can avoid the consequence—those resources are moved from some areas where they are to be found today and placed in those other areas. If that is not your approach, there is no other purpose to targeting.

[232] **Mr Neale:** Yes—

[233] **Alun Davies:** If I could just finish, the impact on those areas that would lose an element of funding would be the undermining of the economic viability of the industry.

[234] **Mr Neale:** I understand well the point that you make. I do not think that we have an appreciation of the amount of area change that actually goes with this. However, I am suggesting to you that, once we look at that, it might actually not be a significant area, and we would support, in any incidence, the development of significant and appropriate transitional arrangements to help people who have found themselves in those circumstances. I think that what I am trying to say is that it may not be as big an issue. Clearly, if you fall within that area, it is a big issue for you—I understand that—which is why we highlight the need for appropriate transitional arrangements. However, it may not be as big an issue as it appears when looking at it prima facie.

[235] **Alun Davies:** Do you think that, essentially, the objectives of implementing Government policy, such as the environment strategy and so on, are sufficiently important to accept that there will be collateral damage along the route?

[236] **Mr Neale:** Forgive me; I do not like the words ‘collateral damage’, because that is people’s livelihoods at stake. We believe strongly in supporting the farming community through these times. I feel uncomfortable with those words, but I do understand that, when there is a change of policy, things of that nature happen. I would hope that, if these ideas were

worked up, we could actually look at the fit with current schemes and what might be presented as targeted, particularly for soil carbon. We might find that those areas are pretty coincident.

[237] **Alun Davies:** I think that you are right on that. Could you perhaps drop us a note, following this meeting, on how you would see any transitional arrangements working?

[238] **Mr Neale:** I am happy to do that, but we are not experts in that matter. We would look to people within the Assembly Government agriculture department to help us with that.

[239] **Mr Davies:** Further to what Simon said, the broad range of agri-environment and land management schemes that have been in operation in Wales have been developed over a number of years. Many of the schemes have excellent attributes. When you talk to farmers, you will find that these schemes are popular with the farming community. They introduce a greater mix into farming, which, perhaps, in certain ways, introduce a past farming system that they enjoy working in. The contribution that it delivers to the wider socioeconomic benefits is important.

[240] The options before us for consideration ask about the best way of delivering the key environmental challenges facing the industry, while also delivering the multiple hits of the policy outcomes and aspirations of the Welsh Assembly Government and the European Commission. That is why we think that option 3 ticks all of the boxes, but we recognise that it will be a change in emphasis.

[241] **Alun Davies:** Thank you. Would you like to speak, Leanne?

[242] **Leanne Wood:** Yes. You say that option 3, in your view, is the best way of meeting the targets of the Wales environment strategy. Do you think that they are of sufficient scale and intervention to meet those targets?

[243] **Mr Davies:** Option 3 does focus on targeting certain areas for soil carbon and flood risk management or water quality. I think that option 3 provides us with a sufficient scale to make an impact. The other options have their advantages and disadvantages, some of which are familiar. Option 2 has its advantages, but it is very much like a menu of options where, sometimes, when you want to make an impact, particularly on soil carbon and so on, you need a vaster catchment area to make a difference, hopefully.

[244] **Mr Neale:** The document recognises that this option is the one that delivers on all of the Wales environment strategy outcomes. I would suggest that it is the one with the larger scale.

[245] **Leanne Wood:** Okay. Thank you.

[246] **Alun Davies:** Thank you. If there are no more questions from Members, I am very grateful for the time that you have taken to come to answer questions, and also for the time taken to prepare your written submission to us. You will receive a transcript of today's session, for your information, prior to its publication. We are grateful for the help that you have given us in this inquiry. Thank you.

[247] I now welcome Mrs Fowler to the meeting. Thank you for your written submission, which has been circulated to Members, who have had an opportunity to read through it. Please assume that Members have read the written submission.

[248] I ask you to state your name and organisation for the Record, and to make a quick opening statement summing some of the issues that you address in your paper for a minute



or two.

[249] **Ms Fowler:** My name is Susan Fowler. I am the policy officer at Organic Centre Wales, which was set up by the Assembly Government to provide impartial information on organic farming. It was originally aimed at producers, but, after a while, it was recognised that the market also needed developing, so our role was extended to consumer information, market development and policy advice.

[250] Our position is that organic farming delivers both to the old agri-environment priorities and to the new agri-environment priorities. Organic farming is unusual in a farming system in that it has principles of ecology, fairness, health and care, which are enshrined in the new European Union regulation that will be introduced in January 2009. The ultimate aim of the organic system is to be a sustainable method of food production, while looking after the environment and leaving it fit for the future.

[251] The most important message to convey, which we briefly covered in our paper, is that there is a temptation to think that, because the organic produce is in the marketplace, the organic farming scheme should somehow be used to control supply into the market. That has not been attempted before, but it has happened accidentally if the scheme has been closed and then opened again. You end up with a backlog of conversion and a distorted market, and you try to anticipate what might happen with imports, exports, food prices and fuel prices. If we tried to do that, there would be far more of a mess.

[252] It must be emphasised that the organic farming scheme is the agri-environment scheme and that is why it is there. We have an action plan in Wales for 10 to 15 per cent of land to be converted by 2010. We have worked hard, within Organic Centre Wales, to keep the market balanced and to keep consumer information out there, but the main point of the organic farming scheme is the environmental benefits that it delivers.

[253] **Alun Davies:** Thank you for those opening comments. Leanne Wood will start the questioning.

[254] **Leanne Wood:** Can you briefly highlight the role of organic farming in delivering the environmental goals outlined in the Assembly Government's consultation document?

[255] **Ms Fowler:** Organic farming was able to be supported through the agri-environment pot because there are sufficient research papers demonstrating the biodiversity benefits of the organic system. These are biodiversity benefits through the organic farming methodology, which is in avoidance of pesticides and fertilisers, and through rotational systems. Most of the work was on lowland and rotational systems, so not only do you have the non-use of certain chemicals, but you also have a diversity of enterprises, which brings biodiversity.

[256] There is also a concerted effort to look after soil carbon; it is called organic farming because of the organic matter in the soil. All of the fertility that you have at your disposal is in the soil, so you need to look after the soil carefully. That has a knock-on effect of meaning that you need to carefully look after your manures and slurries, because they are the fertility that you can move around and put on different parts of the farm. If you do not look after it, it is wasted, you lose fertility, because you are selling food off all the time. It is important for resource conservation and self-sufficiency—those limits in the regulations on how much food you can bring in for your livestock. If you bring in food, you bring in fertility, so a natural balance is maintained on the farm, and there is unlikely to be so much fertility in the soil that there is a leaching. It is a self-sustaining and closed cycle.

[257] With regard to water, if you build up the organic matter in the soil, it will be better at retaining water and slowing its flow. Again, the importance of retaining nutrients means that

organic farmers are strongly advised not leave any soil bare over the winter; they try to keep some cover by using green manure to hold nutrients in the soil.

[258] **Leanne Wood:** What evidence do you have of the success of organic farming schemes in delivering environmental objectives in Wales?

[259] **Ms Fowler:** Little hard research has been done. There was a monitoring project about four years ago that looked at the benefits of Tir Gofal and the organic farming scheme as they work together. The conclusion was that there was improved delivery of biodiversity when the schemes worked in tandem. However, we do not have much Welsh evidence on these issues.

[260] **Mick Bates:** Your document refers to the possible increase in funding requirements. I think that you mentioned £8 million or £9 million. Given that basis, is there sufficient recognition in the consultation document of the increased funding that is necessary to switch to organic farming?

[261] **Ms Fowler:** We are always cautious about budgets set out in documents because they are often said to be indicative. The table at the back includes the committed spend and then £2 million per year for new farms. At the moment, the Minister is suggesting that we will be restricted to £1 million per year. However, that is the kind of level of increase that has happened over the last few years—apart from the slightly exceptional period that we have just been through. That is just for options 1(a) and 1(b)—there is no specific budget for options 2 or 3, but both feature a description of using an organic scheme. I assume that that is an omission rather than an indication that no money would be spent.

[262] **Mick Bates:** That is up to the Minister, of course—we are here to look at your needs and requirements, so that we can form opinions. Do you stick by the figure of £8 million or £9 million in your submission?

[263] **Ms Fowler:** Yes, if we continue to meet demand for conversion to the scheme.

[264] **Mick Bates:** You also say that there is a case for close integration of the organic farming scheme with Tir Gofal. Why is that?

[265] **Ms Fowler:** As I said earlier, there are benefits when the two work together. The main problem with the organic farming scheme is that it has no capital fund; the capital funds from Tir Gofal can, therefore, enhance delivery of the organic farming scheme, which means that there are habitat benefits as well as crop benefits. Many farmers deliver that anyway, but it is not a requirement.

[266] There are also concerns that people in Tir Gofal who have switched to organic have sometimes selected certain options that have constrained their organic system. There are aspects of Tir Gofal that are incompatible with organic farming—for instance, maintaining the same crop on the same land year after year is not good, because you will build up pest problems. In an organic system, you would rotate your crops, but if you went into Tir Gofal and selected certain options with certain field sizes you would thereby be hamstrung, and lose flexibility. If a farmer uses a combination of the two schemes, the design would deliver a good food production system as well as environmental benefits.

[267] **Mick Bates:** You talk about closer co-operation on these schemes; do you envisage that they could become a single scheme in the end?

[268] **Ms Fowler:** When we discussed a review of the organic farming scheme for this rural development plan, that was one of our enthusiasms, shall we say. Our main caution would be the problems that are caused by stopping and starting funding; Tir Gofal has historically

involved stop-start funding, and if that spilled over into organic farming, that would be a problem. However, if we could get over that, we do not see any particular reason for them to be separate. Having said that, we believe that the revisions that we have made to the organic farming scheme have made the administration sufficiently simple that I am not sure there is the same level of bureaucratic burden that there was in the old scheme, when it was definitely a bit of a nightmare to have the two schemes.

11.40 a.m.

[269] **Mick Bates:** It was. In your paper, you mention the disruption to the marketing patterns, for example, in relation to milk. How significant is that in building confidence among others who wish to go into the organic farming scheme?

[270] **Ms Fowler:** I would say that the damage caused across the sectors by the problems with milk was phenomenal. The milk supply doubled overnight, and demand was growing, but the message that comes out is that there is no demand. Demand was always growing, but if you double the supply, then you have a mismatch. At that time, I was doing a lot of work on the economics of organic farming and there were small dairy farmers who were struggling, and they saw going organic as being the only light at the end of the tunnel. I am afraid that they were assuming a premium price, which I repeatedly told them they could not bank upon. If they could do it for 25p a litre, then it was possible, but it was wildly optimistic to think that they would get 28p or 29p. Unfortunately, some farmers really had no other option. They went organic and did not have a premium. This knocked confidence in organics, because then they had to stop being dairy farmers. It was not the fault of going organic; it was because they were struggling with the size.

[271] **Mick Bates:** Is the same true about the livestock side, the red meat side of organic farming?

[272] **Ms Fowler:** The livestock side is difficult and different, because there are many markets that the current sector is unable to supply, for example, public procurement and exports, because it is of insufficient mass. We might get to the point where we have sufficient mass, but it needs to be built up gradually alongside different marketing schemes and working with public procurers and so on. So, there are definitely concerns among existing organic farmers that more beef and sheep farmers are coming into the market when they cannot sell the produce as it is.

[273] **Mick Bates:** We are looking here at the review of axis 2, but to what extent do you think there is a lack of integration between the different axes within the rural development plan? I see that you are smiling. We have processing and marketing grants, and under axis 2 we encourage organic farming. Are enough links made, particularly now with axis 4, into which the LEADER groups will be coming, which can operate on a local level to build up markets? Is there enough integration and recognition of all of these groups?

[274] **Ms Fowler:** No, there is not. We made a bit of a nuisance of ourselves trying to emphasise this area in the discussion of the RDP. When you set up pillars, axes, or whatever you call it, human nature means that you will stick to your pot. Concerted efforts have to be made to make anything work across them. We suggested that meetings were held in the Assembly Government between different departments, which focused on organic farming and looked at whether these axes were working in the same direction. I recognise that there are already too many meetings.

[275] **Mick Bates:** Finally, on that point, there is not enough integration across the axes. Do you have any further evidence that you could improve the uptake of organic schemes or all agri-environment schemes by increasing the integration across the axes?

[276] **Ms Fowler:** No, I do not have any evidence.

[277] **Mick Bates:** Is there no paper on it?

[278] **Ms Fowler:** No.

[279] **Mick Bates:** Thank you.

[280] **Brynle Williams:** I have two brief questions. You mentioned earlier, in relation to a technical aspect, encouraging green cover over the winter on stubbles and so on. That will come into conflict with Tir Gofal, which encourages farmers to keep stubbles open to encourage wildlife and so on.

[281] The other thing that concerns me is that, with the rise in the cost of fertiliser over the last 12 months, I think that we shall see many more people moving into organics. Will this reduce the premium for organic produce? Can we balance that market?

[282] **Ms Fowler:** To deal with the first point, if you had a stubble, you would not plough it up to put green manure in; you would not plough the land, or you would have undersown it so that there was a green cover. The worst thing to do, when you have had a ley to build up fertility, is to plough it before the winter. You are unlikely to get your green manure established enough. So, it is better to keep your winter stubble in. Therefore, I do not believe that there is any conflict there.

[283] The second question was on balancing the market. The issue at present is that fertiliser prices have really made people think about other options, such as fertility building. The nitrogen is there, and it is there to be fixed. However, people do not have to go organic; they can start using organic practices. There is an awful lot that the organic world can offer conventional farmers without their having to go all the way down that route. We have learned an awful lot about clover management and legume management in Wales.

[284] On flooding the market, at present, if the price that is being achieved is sufficiently high, it does not matter whether it is that much higher than conventional produce or not. If it is covering your production costs, that will generally do the job—people do not mind if it is not an organic premium. That is the crucial issue—the base-level price, which, as you realise, has not been adequate on the conventional market, and the organic premium has definitely helped. However, as I say, it is the price that matters, not the amount over conventional produce.

[285] **Brynle Williams:** Thank you very much.

[286] **Alun Davies:** If there are no further questions, I will bring this session to an end. Thank you for the time that you have taken to answer our questions this morning, Mrs Fowler; we are grateful for that. You will receive a transcript of this morning's session in the next week or so, before the final draft is published.

[287] Before concluding today's meeting, I would like to make a short statement to Members on our inquiry into the reorganisation of schools in rural Wales. We have held some private meetings to consider this report, which we hope will be published within the next few weeks. I hope to be able to bring a final draft of the report to Members' attention in the next week or so. We will hold an additional meeting to agree that report.

[288] Our next scheduled meeting is on 27 November, when we will continue our inquiry into axis 2 and the rural development plan. However, I will be asking for an additional

meeting before then, to agree our report on the reorganisation of schools in rural Wales. With Members' consent, I will bring the meeting to an end. Thank you very much.

*Daeth y cyfarfod i ben am 11.47 a.m.*  
*The meeting ended at 11.47 a.m.*