

**Date:** Wednesday 7 November 2001  
**Time:** 2.00pm to 5.00pm  
**Venue:** Committee Room, National Assembly Building

## **REPORT OF THE MINISTER FOR RURAL AFFAIRS**

### **Animal Health Bill**

1. The UK Government published the Animal Health (Amendment) Bill on 31 October. The Bill supplements existing powers under the Animal Health Act 1981 to slaughter animals wherever this is necessary to control FMD.
2. The Bill also provides powers for acceleration of the National Scrapie Plan by enabling Ministers to require that sheep be genotyped and those found not to have an acceptable genotype should be slaughtered or castrated. Whether these powers would be used will depend on whether BSE is found in sheep and on the progress that is made in eradicating scrapie on a voluntary basis. The Bill also provides powers to make provision for the identification of sheep.

### **Update on Light Lamb scheme**

3. In Wales, the total number of animals booked for slaughter under the Light Lamb Scheme as at 31 October 2001 was around 250,000. Almost 170,000 animals had been taken and some 80,000 were awaiting slaughter. The last date for applications to the scheme was 26 October 2001.

### **EU Sheepmeat Regime**

4. Proposals for change to the existing EU Sheepmeat regime will be considered for decision at the November meeting of the EU Agriculture Council. If agreed, the new Regulation would come into effect on 1 January 2002.
5. When the Committee discussed the reform proposals at the 20 June meeting, it was advised that industry interests in Wales were to be consulted on the Commission's proposals for the sheepmeat regime support arrangements. A consultation exercise was undertaken in June and July and a copy of the consultation paper was sent to the Committee. A summary of the 14 responses is attached (annex 1). There was general support to the Commission's proposals, although environmental interests generally want a move to area-based payments. Most respondents considered the premium rates to be too low.

### **Improving the Welsh Sheep Flock**

6. In July, I announced a grant of £325,000 to the Welsh Sheep Strategy (WSS) for the genotyping and identification of the 25,000 ewes in the WSS nucleus flocks. This has now been completed and those farmers concerned will be able to make decisions about breeding for this year's breeding season based on their knowledge of both the rams' and ewes' genotype. I am also pleased to announce that approximately 300 Welsh farmers have signed up to the National Scrapie Plan (NSP) and will benefit from free genotyping and identification of their rams. DEFRA and the devolved administrations have recently consulted on extending the NSP to pedigree flocks which are not registered with recognised bred societies and raising the level of compensation for scrapie infected animals to encourage more farmers to report scrapie.

7. The National Assembly has recently established working groups to develop practical and costed measures to eradicate scrapie from the Welsh sheep flock. Key organisations in the Welsh sheep industry have leant their support to the project and will be working with the National Assembly to identify options for action to accelerate the elimination of scrapie from Welsh flocks. The outcome will be fed into discussions with DEFRA.

8. The National Assembly is, in addition, currently considering urgent proposals to improve the identification and traceability of sheep and goats in Wales. These measures will act as an interim measure, helping to free up spring movements; and supporting the basis for returning to exports; and provide a stepping stone to the introduction of full electronic identification, which will be necessary as part of the eradication of scrapie. Discussions are underway with the industry and DEFRA.

### **The Wales Rural Partnership**

9. The Rural Partnership held its ninth meeting on 25 October. In addition to the paper on implementation and monitoring of the Rural Recovery Plan, it received reports on progress to date on the Plan from lead agencies and a presentation by the Wales Co-operative Centre on protecting rural retail services. The meeting also received progress reports on the proposed study on age balanced communities and the development of the Index of Multiple Deprivation.

### **Farming Connect**

10. I attended the fifth and final regional launch of Farming Connect at Coleg Menai in Llangefni on 29 October. The scheme has been very well received, with over 2,000 requests for farm business development plans received to date by the WDA Food Directorate. Arrangements for almost all of the key elements of the service, including a network of local facilitators, a range of capital grants, and technology transfer through development centres, are already in place and further elements, including subsidised planning advice and environmental services, will come on stream early in 2002.

### **WDA/Sainsbury supplier development programme**

11. I attended a dinner on 1 November to celebrate the success of this programme, which was launched in May 2000 to build on the good relationships between Welsh suppliers and the major supermarkets, and which has seen more Welsh products on Sainsbury's shelves, with increased promotional activity leading to a significant increase in sales.

## **Issues arising from the last meeting**

### **Animal health powers**

12. At the last meeting, I agreed to provide a note on possible ways forward concerning the issue of possible transfer of powers on animal health matters. Powers set out in the Animal Health Act, 1981 to take action in respect of most animal diseases, such as, for example, Foot and Mouth Disease and Classical Swine Fever, have not been transferred to the National Assembly. The staffing within the Agriculture Department reflects this statutory position.

13. Section 86 of the 1981 Act, which relates to interpretation, functions and orders etc. already allows for functions in relation to brucellosis, tuberculosis etc. to be the responsibility of the Assembly.

14. In parallel, there would be implications for the State Veterinary Service and the basis upon which it would provide professional support and advice to the Assembly.

15. The mechanism for enhancing the Assembly's role under the 1981 Act does not rely upon primary legislation. This could be achieved by a further transfer of functions order.

### **FMD Controls: Prohibition on hunting**

16. I will update Members at the Committee meeting.

### **Pigmeat exports (and beef)**

17. The licensing system for the movement for slaughter for export purposes is now in place.

## **Implementation & Monitoring of the Rural Recovery Plan**

18. I agreed to provide a note on monitoring arrangements for the Plan. At their meeting on 25 October, the Rural Partnership endorsed proposals for monitoring the implementation of the Rural Recovery Plan.

19. Key points are to ensure effective implementation of the Rural Recovery Plan and full draw down of the monies available to aid recovery. The National Assembly, in partnership with the Joint Secretariat of the Rural Partnership, will set up a formal monitoring system to track implementation of the plan. It will monitor:

- schemes to implement the measures
- outputs
- spend
- partnership

20. The framework to do this will be a small group drawn from the Joint Secretariat of the Rural Partnership chaired as before by the National Assembly (*primus inter pares*). This group will prepare a formal report to go to the Rural Partnership, Ministers and the Agriculture and Rural Development and Economic Development Committees. The Group will meet quarterly for the duration of the Plan.

21. Proposed membership is officials from:

- the National Assembly
- Rural Policy Division
- Economic Development Division
- Finance Programmes Division
- the Welsh Local Government Association
- the Welsh Development Agency
- the Wales Council for Voluntary Action
- the Wales Tourist Board
- the Countryside Council for Wales

22. Membership will be supplemented as necessary for specific items.

The Group will be chaired by the Senior Director (Economic Affairs, Transport, Planning & Environment) at the National Assembly. Rural Policy Division will provide the Group Secretariat.

23. It is anticipated the first meeting will take place in November. The reports from the monitoring group will enable me to report in more detail to committee and I hope to be able to introduce this in the New Year. In the meantime, officials are collating an informal report on progress to date from the lead bodies to circulate to the Rural Partnership and I will let the committee see this as soon as possible.

## **Vaccination**

### **Farming Connect monitoring and funding arrangements**

24. At the last meeting, the Committee sought information on the arguments for and against vaccination; and also about monitoring and funding arrangements in respect of Farming Connect. I apologise that this information is not available for this meeting but I will make sure that it is circulated with my report for

the next meeting.

## REFORM OF SHEEPMEAT REGIME

CONSULTEES	Comments
NFU CYMRU WALES	<ul style="list-style-type: none"><li>● <b>Calculation &amp; rate of premium:</b> Considers that the 21 Euro payment is too low and should be fixed significantly higher. In addition to the adverse effects of exchange rates, the historic mechanism for calculating SAPS has been technically flawed with the result that the reference period from which the 21 euro rate has been calculated is unrepresentative and underestimates the true extent of the short-fall in producers' income. It is imperative that in moving away from a deficiency payment type support mechanism, a safety net mechanism is provided for in the event of a collapse in the market.</li><li>● <b>LFA supplement:</b> agrees with the proposal to continue the Less Favoured Area Supplement (LFA) at a fixed rate of 7 euro per head. It is essential given the extent of the LFA in Wales</li><li>● <b>Individual Ceilings:</b> supports the proposal to continue individual quotas for ewe premium.</li><li>● <b>Producer Groups:</b> welcomes the proposals to bring the definitions of 'producer' and 'holding' into line with the IACS definitions. Keen to move away from the 'producer group' definition for quota purposes in favour of a 'business' definition, consistent with suckler cow quota.</li><li>● <b>Review:</b> NFU Wales notes the intention to report by 31 December 2005 on the environmental consequences of sheep farming.</li><li>● <b>Introduction of new regime:</b> as it is proposed to</li></ul>

implement the new regime as of 1<sup>st</sup> January 2002, NFU Cymru Wales are concerned that any amendments to the sheep and goat regime should not result in delayed payments to producers.

- The removal of the direct link to production and market realisations should make the proposed regime more compatible with WTO commitments.

## Farmers` Union Of Wales (FUW)

- Satisfied that the proposed changes represent a positive step for Welsh sheep producers.
- **Calculation & Rate of premium:** Whilst the Union is supportive of a move to a fixed premium, they argue that the proposed premium rate level is inadequate
- Sheep Annual Premium currently represents the difference between the average market price and the basic price. The basic price for sheepmeat has remained unchanged since 1989 despite the significant increase in input costs since this date. The true basic price has therefore declined in the real terms and the average value of the premium from 1993 to 2000 fails to take into account this very important point.
- **LFA supplement:** The LFA supplement is crucially important to Welsh producers; and the FUW welcomes the fact that the reform proposal supports the retention of this supplement.
- **Individual ceilings:** Supports the retention of individual quotas for the ewe premium and an effective National Reserve mechanism which provides a pool of quota for new entrants.
- **Producer Groups:** The FUW recognises the merits of harmonising quota rules to ensure that all sectors are compatible in the context of IACS related support schemes. Careful consideration needs to be given to the impact of such a step on more complex land tenure arrangements such as share farming.
- **Review:** FUW considers that there should be a period of stability after this reform and argue that any further reform should not occur in isolation

to other sectors.

- **Introduction of new regime:** As the Commission's intention is that the new regime would commence from 1<sup>st</sup> January 2002, the FUW argues that exceptional circumstances exist in the UK for the 2001 marketing year and that the premium payment should more adequately reflect the unique circumstances facing the UK sheep industry following the loss of the export market

## WALES YOUNG FARMERS' CLUBS YFC

- In principal Wales YFC strongly agrees with the aim of the proposal to simplify the current regime and focus on becoming more market orientated. Consider that reform can alleviate the bureaucracy associated with the current regime and to encourage farmers to focus on producing quality meat.
- **Calculation and rate of Ewe Premium:** supports the proposal that a flat rate be introduced in place of the existing deficiency payment. The rate could offer farmers stability and opportunity to explore further avenues of added value to their sheep production. Concerned that high sterling rates would continue to cause difficulties by reducing the overall premium to UK farmers.
- **LFA supplement:** supports the proposal for a single rate for the LFA supplementary premium for producers of both meat and milk products. Supplement is crucial to sheep farmers in Wales given the high percentage of LFA land.
- **Individual ceilings:** Agrees that the individual ceilings for ewe premium should be retained but special consideration needs to be given to new entrants eg priority quota allocations from the National Reserve.
- **Producer Groups:** Strongly supports the aim to abolish the existing and complicated rules for producers in favour of consistent terms and definition within the EU rules.
- **Introduction of new regime:** Wales YFC highlights the need for a clear, effective

transition from the current regime to the new proposals, particularly the need to ensure payments are paid on time.

**Isle of Anglesey County Council**

- The Council welcomes the stability that the proposed reforms would bring, enabling businesses to better plan for the future through the removal of the uncertainty concerning the level of ewe premium.
- Welcomes the support for the sheep sector, but is concerned whether the continued payment of support measures on a per head basis is favourable to the long term sustainability of the farming industry, particularly in lowland areas. The Council expresses concern at the relatively lower profitability of lowland flocks in comparison to upland farms.

**Campaign for the Protection of Rural Wales**

- **Review:** The CPRW considers that the proposal to report on the environmental consequences of sheep farming by the 31<sup>st</sup> December 2005 should be brought forward.
- Farming support needs to be radically reformed with the ewe premium and the suckler cow premium replaced with a net payment per farmer or labour unit per holding per year. This needs to be set at an adequate level. These payments should be cross-complied in order to enhance the landscape and biodiversity, together with prescribed levels of stocking rates.
- **Calculation & rate of premium:** if the ewe premium is to be retained, the level of the proposed premium at 21 Euros per head should be increased. Although this payment would be in line with the payments of recent years, premium payments are now at a historically low level. Payments could be increased by an extensification premium similar to suckler cow and beef special premium. This would help to alleviate some of the environmental problems associated to overgrazing and increase the market prices due to the reduced number coming



onto the market.

### Country Land and Business Association

- Welcomes the simplification of the reform and the market responsive aspect. Question whether the reforms are sufficiently far reaching.
- Wish to see payments move to an area basis rather than remain headage based.
- Would like any CAP reform to be more WTO compliant.
- **Calculation & rate of premium:** Supports the idea of a flat rate payment but considers the proposed 21 Euro payment as insufficient.

### Royal Welsh Agricultural Society

- Welcomes the move to simplify the current scheme.
- **Calculation & rate of premium:** RWAS concerned that the ewe premium payments will remain fixed at the proposed levels of 21 Euros and 7 Euros without adjustment upwards to account for any future difficulties in the upland sheep industry.
- Sees the overall impact as detrimental to rural areas resulting in depopulation and less land management.

### Environment Agency Wales

- **Calculation & rate of premium:** The Agency is not able to comment on the levels of premium proposed, but agrees with the aim of simplifying arrangements.
- **Review:** the Agency notes that a report on the environmental consequences of sheep farming is due by 31 December 2005. The Agency considers that current funding arrangements under the CAP encourage excessive stocking densities. Better environmental management practices are needed for sheep particularly in the hills and on the commons.

## Countryside Council for Wales.

- CCW are disappointed in the scale and scope of the proposed reforms. One of the objectives of the DGAgri evaluation study leading up to this small-scale reform was to examine the "impact [of the regime] on rural areas and the environment". There is no evidence from the changes proposed that these impacts have been taken into consideration.
- **Review:** Concerned that the report to the Council and European Parliament is not required until December 2005. This deadline should be brought forward to December 2002 and the information should be used to underpin the next stages of reform.
- Consider that the long-term goal for EU livestock policy should be an integrated subsidy system covering the sheepmeat, beef and dairy sectors, based on area payments de-coupled from production and explicitly linked to environmental and social objectives and outcomes.
- The effective increase in sheep premium headage payments of about 20% in Wales will provide some welcome and much needed liquidity in hard pressed businesses, but it still forces producers inexorably in the direction of increasing stocking rates to maintain or increase income.
- Disappointed that there is no national envelope in these reform proposals, which the Assembly could have used to support more sustainable production methods and to underpin the Agri-Food strategy drive towards higher value produce.
- **LFA supplement:** CCW support in principle the "Rural World Supplement" but this payment will still be made on a headage basis and there are no limits on animal numbers. A sheep quota allocation based on the 1991 reference year means that the total number of ewes eligible for subsidy has been maintained at very high levels.

CCW consider there is a need for the EU to test, as a

	<p>matter of urgency, different methods of de-coupling livestock support from the number of animals actually grazed.</p>
<p><b>Presbyterian Church in Wales</b></p>	<ul style="list-style-type: none"> <li>• Welcome the proposals and hope it succeeds in lessening bureaucracy.</li> <li>• <b>Calculation &amp; rate of premium:</b> Concerned that the flat rate payment will work well in the context of the Euro as a monetary unit for EU countries but which Britain is not part of.</li> <li>• <b>Producer Groups:</b> Welcome the proposal to do away with the over - restrictive rules governing partnerships.</li> </ul>
<p><b>ADAS</b></p>	<p>ADAS consider the proposals offer the following advantages:</p> <ul style="list-style-type: none"> <li>• Simplification of the regime (six regulations replaced by a single regulation) is welcomed both in terms of reduced cost of administration and ease of administration for both producers and member states.</li> <li>• <b>Calculation &amp; rate of premium:</b> the present system and basis of calculation has disadvantaged UK producers due to currency fluctuations and differences in market prices between UK and other member states.</li> <li>• The proposals would end the present flawed basis of calculation i.e. use of poor quality statistical information and estimates.</li> <li>• The stability and predictability of a flat rate premium would assist business planning.</li> <li>• More in line with WTO objectives.</li> <li>• More budgetary certainty.</li> <li>• Retention of individual premium rights or quotas.</li> <li>• A fair basis for the calculation of the flat rate premium and the LFA supplementary premium, i.e. the average of the 1993 to 2000 years payments.</li> </ul> <p>A disadvantage is the retention of the headage basis of payment as de-coupling of support will suffer a setback.</p>

## Snowdonia National Park Authority

(On behalf of all three Welsh National Parks)

- **Calculation & rate of premium:** Welcomes the proposed flat rate payment., but is disappointed payments will remain on a headage basis. This may make the economics of participating in agri - environmental schemes less attractive.
- **LFA supplement:** Welcomes the LFA premium, but considers it should be linked to environmental and social goals and delivered on an area basis.
- **Review:** By moving to an area based payment and resuming minimum stocking levels, the environmental problems of sheep farming can be overcome.

## RSPB

**Calculation & rate of premium:** RSPB are unable to support the flat rate payment and would recommend that The SAP be modernised to encompass a more environmentally compatible payment system.

Consider that flat rate premium will promote intensification and greater specialisation resulting in overproduction and falls in market prices. RSPB are concerned at the potential within the proposal to create further imbalance between sheep and cattle numbers with consequent adverse environmental effects.

**Review:** Urge the National Assembly and UK Government to prepare farmers for the outcome of the report due by December 2005 which RSPB envisage will result in a change to an area based payment and a break in the link between support and production. Suggest an intermediate scheme where area payments are phased in over 5 years to at least 20% of SAP payment, a further 10% of SAP be linked to environmental and social incentives and stronger enforcement of overgrazing regulations.

## The Royal Institution of Chartered Surveyors Wales (RICS)

- **Calculation & rate of premium:** RICS notes that the proposed fixed rate is slightly higher than that received in 1999-2000 but are concerned that the level of support here will continue to vary because of exchange rate fluctuations, particularly if there is no agri-monetary compensation claimed by Government. .
- Concerned about the immediate impact upon Welsh farmers of the fixing of premium payments. As traditional EU markets for Welsh light lambs are restricted because of Foot and Mouth regulations, it is likely that producers' incomes will fall considerably during 2001/2002. RICS suggest this problem could be offset by possible increases in ewe premium.
- **Review:** Given the importance of sheep farming in the Welsh uplands, any environmental study and any possible reduction in stocking rates, must include some form of compensation for reduced income from SAPS, as support payments currently equate to 50% of most producers incomes.