

**Date: Wednesday 1 May 2002**

**CONSULTATION: OPERATION OF THE SHEEP NATIONAL ENVELOPE FOR SAPS 2003 AND BEYOND**

Purpose

1. To advise the Committee of the intended consultation in Wales on proposals for the operation from 2003 of the national envelope provisions contained in the EU Sheep and Goatmeat Regime (under the more commonly known Sheep Annual Premium Scheme – SAPS).
2. A draft of the proposed consultation paper is attached at Annex A.

Recommendation

3. The Committee is invited to consider the range of options put forward for consultation.

Background

4. The detailed background is set out in paragraphs 1 –10 of the draft consultative document.
5. In summary, the revisions to the EU Sheepmeat regime that came into effect on 1 January 2002 introduced a national envelope whereby additional payments can be made to further benefit sheep producers. The national envelope can be applied at a regional level within a member state. For the UK, it has been agreed that each of the constituent countries would devise their own arrangements for the application of the national envelope.
6. For the UK, €20.16 million is available annually to fund activities under the national envelope. This level of funding is based on historical quota right usage. The annual value to Wales is €5.54 million that on current exchange equates to £3.5 million.
7. The intended consultation relates to the 2003 SAPS year and beyond. For the 2002 year ie payments due from 16 October this year, it has been decided to apply the resource in the national envelope as an additional top-up payment to the fixed rate premium that producers are able to claim for eligible animals. This is estimated to provide an additional €1.2 (£0.75) per eligible animal. The final value of the planned top-up payment will be calculated when all 2002 SAPS claims have been processed.

Advice

8. The options for the use in Wales of the national envelope from 2003 reflect the advice received from the working group set up by the Welsh Assembly Government to examine support for the sheep sector (an action point contained in "Farming for the Future"). Membership of the group is drawn from industry and environmental interests and ARAD officials.

9. The group is also examining proposals for a successor Tir Mynydd scheme that would be introduced from 2004. The Committee will be invited to consider the outcome of this further work at a future meeting.

10. In considering the national envelope options, the Committee is asked to note that the £3.5 million available each year must be seen in the context of some 12,000 sheep producers in Wales, and sheep quota rights totalling around 5.3 million. In addition, the intended use of the national envelope must be supported by objective criteria. These criteria must be reported to the Commission, and the planned use of the national envelope, on an annual basis.

11. Six options for the use of the national envelope are proposed. These are set out at paragraph 11 of the draft consultation paper. The options are:

- Support for sheep systems with particular employment and environmental benefits
- Increase the fixed rate premium
- Promote mixed farming systems
- Encourage farm assurance, producer co-operation and improved marketing
- Safeguard genetic sheep resources and improve genetic composition
- Purchase quota rights

12. The key issues on which comment is specifically invited are contained at paragraph 12 of the consultation paper.

13. In the light of consultation, decisions will need to be made quickly on shape of the national envelope and the details publicised. This will ensure that individual producers are properly informed, and can take the envelope options into consideration, in planning their approach to the quota trading season this September.

14. It will be necessary also to prepare National Assembly legislation to support the operation of the

national envelope from 2003 (ie payments from October 2003). The intention is to introduce the relevant legislation this Autumn.

15. Separately, the National Assembly will need to pass legislation before the summer to give effect to the revised EU Sheepmeat regime and the use of the national envelope for the 2002 SAPS year. Preparatory work is now underway.

### Financial and Compliance Issues

16. None are raised.

### Recommendation

17. The Committee is invited to consider the proposed options for use of the national envelope from the 2003 SAPS year and beyond as set out in the intended consultation document.

18. In addition, the Committee is asked to indicate whether it would wish to see a summary of the responses received to consultation. This can be prepared for the Committee but sheep producers will want to know the final decisions about the national envelope no later than August.

### Contact

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