

# **Agriculture and Rural Development Committee Inquiry Into Agri Environment Schemes in Wales NFU Cymru Response**

**September 2002**

## **Introduction**

NFU Cymru has long advocated an approach that ensures that all farmers in Wales are able to enter into an agri environment scheme should they wish.

We have also criticised the current schemes as being too targeted and/or requiring too high or too long a commitment for most farmers to be able to enter a scheme. Associated with these concerns is the fact that the current schemes are administratively costly and at present it is unlikely that Assembly spending priorities would permit the flagship (and some would argue elitist) Tir Gofal Scheme to cover the majority of Welsh farmland.

## **Tir Gofal Scheme design**

Many of the concerns about Tir Gofal derive from administrative arrangements. Focusing on scheme design the key problem areas are

- Poor understanding of farming practices by some project officers which result in a mismatch between farm capabilities and environment aspirations
- Numerous and complex scheme prescriptions that make option selection unnecessarily difficult
- Long term commitment which effectively close schemes to those with shorter term tenures
- Excessive rigidity in scheme design and/or management options that prevent straight forward or pragmatic application of management
- Scheme rules precluding project officer's help when making the application

We realise that the recent review of the scheme awaiting approval from the Starr Committee seeks to address some of the above points but proposals are merely scratching at the surface of the problem.

It is clearly not acceptable for Farming Connect business advisers to recommend farmers to go into the Tir Gofal Scheme when the next application window period is not known and that they are unlikely to be offered an agreement for a considerable period of time even if they pass the entry threshold. This highlights NFU Cymru's concern that loss of modulated commodity support cannot be recovered by many without a serious time lag and this with cash flow implications and an adverse impact on farm

income.

There remain gaps in current coverage of those able to enter the scheme. The scheme continues to make it difficult for medium sized farms relatively intensively stocked to enter into the schemes. The importance of small and medium sized farms taken as a whole in Wales must be adequately reflected. The scoring system also fails to adequately reflect the importance of farm boundary maintenance not only to wildlife but also to the landscape.

## **Broad and Shallow Scheme**

One of the EU Commission's widely publicised recommendations is for a new, basic entry-level tier aimed potentially at land managers.

Such a scheme meets a number of NFU Cymru's priorities for agri environment schemes

- Targets uptake at the majority of farmland
- Addresses a range of environmental concerns and rewards existing good farming practices
- Would introduce a low transaction cost scheme which could be administered through IACS
- Should assist farmers/farming practice to adapt to the challenge presented by forthcoming EU environmental directives.
- Should help to reduce or deflect the threat of more costly regulatory or cross compliance conditions being introduced
- A broad and shallow scheme would be the basic entry level into further progression into agri environmental schemes be they part farm schemes or the whole farm Tir Gofal scheme. There should be no presumption of one over the other but the choice left to the farmer

A part farm environmental scheme can potentially make use of Objective 1 funding sources adding to the pot of money available to Welsh farmers. A part farm scheme should in essence be a capital based scheme to improve hedgerows and dry stone walls. There is clear evidence to suggest that this would create employment in rural areas, comply with biodiversity action plans and improve landscape and conservation in Wales.

However we would add the appropriate level of cross compliance should be clearly defined and harmonised throughout the EU. One possible suggestion is a 3 tiered approach

- a. Compliance with existing environmental standard
- b. List of verifiable standards, which will be included as conditions for all new environmental schemes.
- c. All farmers joining agri environment schemes to be given copies of Codes of Good Agricultural practice and encouraged to comply with the recommendations.

Any management requirements especially those that are compulsory must not impose significant

adaptation costs on farm businesses. Actual compliance costs (both in time and expenditure) must be minimised.

Any attempt to increase the complexity of a broad and shallow scheme must be resisted as it is just that – broad and shallow. Incentives should be the order of the day not further legislation or cross compliance conditions.

There may also be a case of trialing a broad and shallow scheme as Tir Cymen did for Tir Gofal but for a shorter period of time. This would allow problems to be ironed out before its widespread introduction but the timetable needs to be a short one.

## **Agri Environment Payments**

The basis for payment is set out in the Rural Development Regulation being the sum of net income foregone and the costs of meeting the required management. In addition member states may add a supplementary incentive to aid take up of agreements but this should be no more than 20% of the income foregone and management cost figures. While the Regulation offers the benefit of consistency across the EU it also creates significant problems:

- Income streams from agri-environment sources is tied formally to returns from agriculture more generally. Consequently participants in schemes can suffer the same type of volatility in income levels, as can those engaged in "conventional" production.
- The formula also runs the risk of criticism from our World Trade partners, income from schemes is not totally decoupled as it is "coupled" to agricultural production via the income foregone formula.
- NFU Cymru would strongly advocate a move away from payments calculated on income foregone in favour of payment based on positive environmental benefits created and the associated management costs that arise.

In the short time (i.e. mid term review) it is unlikely that the RDR formula will be amended, it has been a feature of agri-environment payment reward since the early 1990s. change will require concerted criticism across member states and an alternative approach, which offers a similar level of consistency. Neither of these elements are yet in place but we strongly urge WAG to take the lead to persuade our European partners to instigate urgent change.

This being the case it is perhaps more practical to exploit the WAG's capacity for change within the current rules. Amongst these potential areas are:

- A "minimum income guarantee" policy which will enable agreement holders to be able to plan for a known income stream during the agreement period.
- Greater use of the incentive element of the RDR formula to assist in income stability and to reward significant achievements

- Selective but regular (e.g. every 5 years) review of payments in discussion with key stakeholders.

## **Administrative Issues**

Of all aspects of agri-environment schemes it is most frequently the administration of schemes, which causes the greatest frustration amongst agreement holders. As a number of agreements continues to grow it will become increasingly important that WAG puts in place arrangements that enable agreement holders to communicate quickly and effectively with project officers. It is likely that arrangements that work effectively with relatively few agreements will not be so effective once more agreements are in place.

Particular areas of concern currently include:

- Access/entry to schemes – too many farmers express concern about the apparent complexity of scheme paperwork and the transparency (and reasonableness) of obligations.
- Derogation from scheme prescriptions – while project officers act as the main focus of discussions with agreement holders, they have only limited discretion to vary agreements. The division between administration and scheme delivery is not helpful in this regard.
- Fast track decisions – applicants and agreement holders should be able to anticipate a standard turn around on request/ variations and applications.
- Grant payments – as scheme income becomes increasingly important, WAG should set clear standards for the payments.

## **Summary**

Agri-environment schemes are important elements of Wales rural development programme. As a proportion of total agricultural subsidies UK agri-environment schemes have grown from less than 1% in 1990 to 9% in 2000. There is a growing momentum to further boost scheme availability. Attention now needs to be directed towards the role and scope, payment for and administration of schemes.

Incentives should remain a key part of a co-ordinated programme to build environmental self-reliance within the farming community. However incentives (including agri environment schemes) should not be simply concerned with providing a commercial return for a public good, the countryside requires skilled management. The environmental agenda for agriculture continues to evolve, schemes need to be amended to reflect these new priorities. At the same time schemes must aim to invest in the human capital on which they rely, this human dimension should become a more explicit component of scheme development.

It is also important that scheme payment more fairly reflects the value of the public good provided, we have substantial reservations with the current RDR – derived formula but recognise that an alternative must be developed to replace it. Of all aspects of agri environmental schemes it is most frequently the

administration of schemes, which causes the greatest frustration amongst agreement holders. WAG must develop new arrangements as a priority.