

Agriculture and Rural Development Committee ARD 17-02 (p2)

11 December 2002

MID TERM REVIEW OF THE COMMON AGRICULTURE POLICY

Purpose

1. To update the Committee on progress on the European Commission's package of measures on the mid term review (MTR) of the Common Agriculture Policy (CAP).

Background

2. This is set out in the paper considered by the Committee at its meeting on 30 October (attached at Annex A).

Current Position

3. The EU Heads of Government Council in Brussels (24/25 October) reached agreement on the financial perspective for the CAP budget for the period 2007 – 2013 that reflected the enlargement process. This did not include any agreement on the way forward for the CAP MTR. Subsequently, Commissioner Fischler has made clear that the MTR package remains on the table for negotiation and eventual decision. The expectation is that final decisions will be reached in early summer 2003.

4. The EU Agriculture Ministers Council met on 28 November. The Minister for Rural Development attended and with Mrs Beckett and his counterparts from Scotland and Northern Ireland also met Commissioner Fischler.

5. The meetings in Brussels last week confirmed that the cornerstones to the MTR package remain decoupling and modulation.

6. On **decoupling**, this is a priority for the Commission. It is clear that the Commission view the proposals as a more efficient and effective way of supporting farming incomes. This is echoed in "Farming for the Future" that sets out the Welsh Assembly Government's strategic direction for the long-term sustainability of the industry in Wales. Member States appear to be adopting a more open attitude to the decoupling approach proposed by the Commission. The Commission is aiming to prepare by end January draft legislative texts relating to decoupling.

7. Decoupling is important also in the context of the EU's overall position in respect of the forthcoming WTO. CAP is but one element of crucial negotiations on global trade issues that will take place at

Cancun in September.

8. It is not yet clear how the **modulation** debate will progress. The Commission's proposals remain on the table and among Member States there is general acceptance of the need to strengthen the existing rural development measures. In the light of the future CAP resource ceilings set at the recent EU Heads of Government Council, the Commission is examining the post-2006 budgetary implications for the agreed Agenda 2000 reforms for the dairy sector that come on stream in 2005 and reforms due to other sectors (eg sugar). The expectation is that the modulation debate will run behind that on decoupling.

9. On **milk**, the Commission is expected to table more focused proposals early in 2003.

Financial Implications

10. This report is for information only.

Compliance Issues

11. There are no issues of compliance or propriety

Recommendation

12. The Committee is invited to note the position set out above.

Contact Point

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Annex A (Previous paper ARD 14-02 (p2) submitted to Committee on 30 October).

Agriculture and Rural Development Committee

Mid Term Review of the Common Agricultural Policy

Purpose

1. To update the Committee on the European Commission's proposals on the Mid Term Review (MTR) of the Common Agricultural Policy (CAP). This paper covers also the responses to the Welsh Assembly Government's associated consultation paper issued in July.

Background

2. The Commission published the MTR proposals on 10 July; a summary of is at **Annex 1**. The Committee discussed the reform package at the 17 July meeting.

3. The Welsh Assembly Government's approach to reform of the CAP is set out in its strategy document "Farming for the Future", published in November 2001. It incorporates a strong commitment to CAP reform, including support for:

- decoupling of direct subsidy payments from production; and
- the need for a "better balance" between Pillar 1 (agricultural support) and Pillar 2 (rural development) funding.

4. The Welsh Assembly Government's position is therefore closely in line with the philosophy of the Commission's MTR proposals. The Commission is expected to prepare the supporting detailed (draft) legislative texts in December. On this timetable, the MTR negotiations and decisions will extend into next year (2003) under the Greek Presidency.

Welsh Assembly Government Issues

Decoupling of farm subsidies

5. Detailed work is ongoing to assess the impact of decoupling on farm incomes, production, market price, the wider rural economy and the environment. It is clear that decoupling subsidies from production has a number of important potential advantages:

- it would free farmers to decide for themselves what quantity and quality of livestock to keep, and therefore should enable farmers to gear their efforts much more closely to market demand;
- in recent years the subsidy for the average Welsh cattle and sheep farm has exceeded net farm income by roughly four-fold. Enabling farmers to retain subsidy while reducing loss-making marginal production has the potential to boost farm incomes significantly;
- there would be substantial environmental and ecological benefits if, as seems likely, farmers decided to reduce sheep stocking numbers;
- it would greatly increase the scope for farmers to diversify into other alternative production, which are currently unattractive given the subsidy that they would forgo if they reduced livestock

numbers; and

- it would put the EU in a virtuous and therefore strong position to defend a reformed CAP in the forthcoming WTO negotiations.

6. As with any radical change, there are a wide range of matters which need to be addressed. There are many technical issues which need to be resolved if decoupling is to work satisfactorily. The main ones are that a reduction in livestock numbers could have a possible impact on employment in down-stream processing and livestock markets and also that decoupling could possibly lead to an overall reduction in beef production, with a fall in beef produced from extensive, grass-fed suckler herds and an increase in intensive beef production. Environmental interests are concerned about the damaging environmental consequences this would have. Indeed, such an intensification of production is contrary to the Commission's own stated MTR objectives. Similar concerns are being expressed in other parts of the UK and by a number of Member States. We are currently considering ways in which decoupling could be introduced that maintain the environmental benefits of extensive beef production. We are working with the UK Government to help the Commission address this and develop an effective basis for introducing decoupling more generally.

Modulation

7. Welsh agriculture is heavily dependent on direct subsidy payments (some £160 million annually). The progressive modulation proposed by the Commission would affect net farm incomes of farmers before taking account of the recycling of modulated receipts under Pillar 2 (rural development measures). In contrast to the current arrangements for modulation, where money raised in Wales remains here, the Commission is proposing that the proceeds from modulation are reallocated by the Commission according to set criteria. This is the key concern for the Welsh Assembly Government as:

- The UK currently has 12% of the EU's agricultural land but receives only 3.5 % of existing EU rural development funds;
- The Commission has made clear that that share cannot be changed under the current EU budgetary arrangement ie not until after 2006; and the enlargement of the EU will increase competition for Pillar 2 funds thereafter;
- As indicated in the July ARD Committee meeting, the Commission's criteria, together with their proposed franchise exempting small farmers from modulation, could have the effect of making the UK a substantial net contributor to the new modulation arrangements.

8. "Farming for the Future" identifies the need to strengthen the Pillar 2 arrangements to help Welsh farming to adapt – and for the funding base to be improved. Wales needs adequate rural development funds under Pillar 2 to help farming and rural communities to adapt in positive ways. The Welsh Assembly Government is therefore arguing strongly for the UK Government to press for new modulated funds to be allocated so as to correct the historic EU under-funding for rural development measures in the UK.

Large Farmers

9. On the Commission's proposal that funds modulated from producers receiving over €300,000 (some £190,000) per annum be kept for re-distribution within the Member State on rural development, it is estimated that just 4 farmers in Wales receive more than the proposed Commission ceiling.

Milk

10. The Commission has yet to indicate which of the four options originally outlined it proposes to table.

The Way Forward for Wales

11. Although the draft implementing texts are not available, CAP reform will inevitably result in pressure for Welsh farming and rural communities to adjust. The key to a successful outcome will be for Wales to get a fair financial deal overall, with an adequate level of funding under Pillar 2 to help the process of adaptation. Given the historic EU under-funding of rural development in the UK, and the difficulties that the more remote rural areas in Wales and in the UK are already experiencing, the Welsh Assembly Government believes that:

- The UK should make it clear to the European Commission that an essential condition for UK support for the reform package is that the UK secures a fair share of funds under Pillar 2, that rectifies the historic under-funding by the EU of rural development in the UK; and
- Within this, adequate funding under Pillar 1 and Pillar 2 is essential if CAP reform is to be implemented successfully in Wales.

Industry Reaction to the Commission's Proposals

12. 25 organisations in Wales responded to the consultation exercise on the MTR proposals. A summary of the responses is at **Annex 2**. The comments reflected the wide ranging, and sometimes conflicting, views of the respondents. All agreed that more detail was required on how the Commission's proposals would be implemented to enable the full implications to be assessed. When the Commission's draft legislative texts become available they will be circulated to consultees for comment.

Financial Implications

13. This report is for information only.

Compliance issues

14. There are no issues of compliance or propriety.

Recommendation

15. The Committee is invited to:

- offer comments on the proposals and key issues identified; and
- note the summary of responses received on the Commission's proposals.

Contact Point

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Annex 1

THE AGENDA 2000 MID TERM REVIEW PACKAGE: SUMMARY

Substance

Three main elements:

- Market support regimes
- Decoupling CAP Direct Payments from production
- Reinforcing the Rural Development Pillar

Market Support Regimes

The package proposals:

- Apply the final 5% reduction (of the 20% proposed in Agenda 2000) of the cereals intervention price from €101.31 to €95.35 from 2004/05. This will be compensated "as foreseen in Agenda 2000" (increasing payments from €63 to €66/tonne?);
- Address some technical weaknesses in the EU's border protection regime on cereals;
- Abolish intervention for rye;
- Reduce durum wheat support to €250/ha in traditional areas, and abolish the special aid in established areas. Establish a high quality premium at €15/tonne for durum wheat sold to the processing industry within the framework of a contract specifying quality criteria;
- No change on oilseeds or soya.
- Reduce the rice intervention price by 50% to a basic level of €150/tonne for 2004/5. Introduce a private storage scheme to be triggered if the market price falls below the basic price. Safety net intervention will be at €120/tonne. Compensation increased to €177/tonne, including the current €52/tonne payment, a further €50/tonne to make up an income payment paid per farm, with the remaining €75/tonne to reflect the role of rice in traditional wetlands;
- Replace current dried fodder arrangements with an income support envelope of €160million, to be distributed between Member States in proportion to national guaranteed quantities for dehydrated and sun-dried fodder. To ensure transition for the industry, a reduced single support payment of €33/tonne will be maintained;
- Replace existing arrangements for nuts with a flat rate payment of €100/ha, which can be topped up to a maximum of €109/tonne by Member States. The maximum guarantee area will be 800,000ha.
- No change to beef market support arrangements
- Commission to reinforce the conditions and controls under which export subsidies for live animals can be granted.
- On dairy float options (backed by analysis from Dutch and French University sources) acknowledging that the status quo (ie continuation of quotas) is not an option, and the choices are:

i) continuation of Agenda 2000 measures until 2015;

ii) repeat the Agenda 2000 approach (further increase in quotas, +3%, and lowering of intervention

prices, -15% butter and -5% SMP);

iii) create separate quotas ("A" + "C") for production for domestic consumption and export consumption;

iv) abolish quotas from 2008;

- Nothing on Sugar, olive oil, fruit, and vegetables and wine which will be the subject of further proposals in 2003.

Decoupling Direct Payments from Production

- All direct payments (cereals, beef, sheep) to be decoupled from production from 1 January 2004 ;
- Creation of a single decoupled income payment per farm, based on historical receipts from Direct Payments (but with modulation - see below);
- Exceptions from the single scheme to include durum wheat quality premia, new stand-alone protein crop supplement, the crop specific payment for rice, and the payments for nuts;
- Where allocating payments on a historical basis gives serious regional inequities, Member States will have the right to reallocate payments within their territory to achieve a balance.
- The 'single income payment' to be split into 'payment entitlements' on a hectare basis to facilitate the partial transfer of payment when only part of the farm is sold or leased. Member States will be able to establish different approaches (e.g. to define a balance between individual payment entitlements and regional/national averages).
- Payment entitlements cannot be transferred speculatively: agricultural land must be maintained in good agricultural condition and to mandatory environmental standards.
- Existing rules for Direct Payments (need to count cattle, measure areas) will fall away. There will be no obligation on recipients to produce anything. But there will be new, binding cross compliance rules. On unused land cross-compliance will involve respecting statutory management requirements. If these conditions aren't met, payments will be reduced or taken away.
- Compulsory long-term (10 years) set-aside will be introduced on arable land. Farmers will be obliged to put an amount equivalent to current compulsory set-aside into long-term non-rotational set-aside as an element of the cross-compliance rules.
- In addition, and in place of the old checks on hectares planted and numbers of animals kept, there will be whole farm audits (frequency unspecified, but likely to be once every 3, 4 or 5 years), to check compliance with eg. animal welfare, food safety, environmental (eg. nitrates) and health

and safety requirements. Farms receiving less than €5,000 per year in direct payments will be exempt.

- Energy crops will no longer be able to be grown on set-aside. A new carbon credit to be introduced at €45/ha of energy crops with a maximum guaranteed area of 1.5 million hectares, to be paid to producers entering into a contract with a processor. Area allocation between MS to take account of historical energy crop production on set-aside and carbon dioxide commitment burden sharing arrangements.

Strengthening Rural Development

- There will be compulsory 'dynamic' modulation at 3% of the original entitlement in 2004, and a further 3% of the original entitlement in each year thereafter to a maximum of 20% (in 6 or 7 years).
- There will be transitional arrangements for Member States (like the UK) which already operate modulation;
- Modulation to be operated in the same way in each Member State. For the years up to 2006, there will be a commitment that all the funds will be retargeted to Rural Development spending. No commitment for post-2006.
- Modulated funds not reserved to the Member State that collects them but reassigned on the basis of agricultural area, agricultural employment and prosperity criterion, to target specific rural needs. Receipts from the application of a maximum upper ceiling on direct payment receipts per farm (see below) will be reserved to the individual Member State.
- Modulation will not bite on farmers evenly. All farms will be exempted the first €5,000 and there will be a further €3,000 allowance for every full-time labour unit beyond a basic 2 full-time workers. There will also be a maximum upper limit on Direct Payment receipts per farmer of €300,000, so farmers would get the first €300,000 of any subsidy to which they were entitled, and nothing beyond that.
- In Wales, it is estimated that some 40 per cent of farmers (around 10,000) currently receive €5,000 or lower. On the €300,000 threshold, it is estimated that less than 10 farms would be affected.

Use of Modulated Funds

- Modulated funds to be spent on any rural development measure under the EAGGF guarantee section. Member States will be able to use it to increase the level of Community co-financing within their programmes up to the regulatory ceilings, to finance new measures, to increase the

scope and/or to finance additional beneficiaries.

- A new food quality chapter to be included in the rural development regulation, including incentives (on a flat rate basis for a maximum of 5 years) to produce to quality assurance scheme standards, and support for producer groups for promotional activities of quality products. These will be compulsory elements of a Member State's RDP in 2005/06.
- Also a new 'Meeting Standards' chapter to assist farmers adapt to environment, food safety and animal welfare standards. Aim to encourage a more rapid and widespread adoption of (legal) standards, but in no case would aid be payable where a farmer has not respected standards already incorporated into national legislation. Aid to be degressive for up to 5 years, with a maximum of €200/hectare in the first year.
- Flat rate aid also available under this chapter to help farmers meet costs of farm audits. In particular will help farmers prepare for and meet new cross-compliance requirements for receipt of direct payments.
- Fixed co-financing of agri-environment and animal welfare schemes to be increased to 85% in Objective 1 areas and 60% in other areas.
- Some adaptations to the non-accompanying measures to complement the introduction of the above measures, including clarification of the marketing activities under Article 33 to include specific references to the eligibility of the cost of setting up quality assurance and certificate schemes.

State Aids

- To accelerate implementation of new state aid regimes, the Commission is examining the possibility of adopting a block exemption regulation at EU level in the field of agriculture.

Budgetary Impact

- Commission Paper asserts that these proposals will be accommodated within the CAP financial ceiling of €40.5 billion set at the Berlin summit, and forecasts an annual margin under the ceiling of nearly €1 billion in 2004 and just above €1 billion in 2005 and 2006.
- Precise estimates of the budgetary impact of each measure will be shown with the presentation of the formal legislative proposals. The proposals are estimated to lead to an overall annual saving of about €0.2 billion compared to the baseline. The Commission asserts that this and the forecast

annual margin will provide for unseen circumstances as well as "to meet costs which could result from reform measures which may prove to be necessary in sectors not covered by the Mid-Term Review.

Annex 2

Organisations and Individuals who responded to the CAP MTR Consultation Exercise

National Farmers' Union Cymru-Wales

Farmers' Union of Wales

Country Land & Business Association Wales

Countryside Council for Wales

Royal Society for the Protection of Birds Cymru

Environment Agency

National Sheep Association

National Beef Association

Meat and Livestock Commission

Welsh National Parks Authority

Wales Wildlife and Countryside Link

The Campaign for the Protection of Rural Wales

Coed Cymru

Coed Cadw Woodland Trust

World Wildlife Fund Cymru

Menter a Busnes

Welsh Development Agency

Welsh Agri-Food Partnership Organic Strategy Group

Royal Institute of Chartered Surveyors Wales

Presbyterian Church of Wales

Institute of Grassland & Environmental Research

National Federation of Women's Institutes

Richard Japeth

Disability Wales

Consultee	Comments
<p>National Farmers' Union Cymru - Wales</p>	<p>Decoupling</p> <p>Welcome, in principle – must reduce bureaucracy.</p> <p>Who will receive the payment – landowner? tenant? grazier? Should be the person who, in practice, is farming the land.</p> <p>Concern that production costs, in some areas, are currently above market realisations – adverse effects if decision taken not to farm the land.</p> <p>Historical payments – must be wary of consequences of FMD, BSE when setting base years. Different sectors would suit different base years.</p> <p>All producers must receive fair share of decoupled support.</p> <p>Need to address in detail the specific anomalies which would arise in the short term – can see the merit in longer term re. Simplification, market responsiveness, WTO, etc.</p> <p>Cross Compliance</p>

Standards should be base-line and consistent throughout EU.

Double-funding issues if standards become 'gold-plated'.

Exemption from farm audits for those receiving less than €5000 regarded as inconsistent and discriminating.

Would prefer various assurance schemes integrated e.g. farm assurance –inspections funded by pillar 2 and Central Government.

Dynamic Modulation

Opposed – unacceptable re-distribution of resources

Time delay

Raised admin costs for the industry

If applied, must be:

Compulsory and equally applied throughout EU

Current levels (UK) taken into account by Commission

100% Government match-funding

Modulated funds accessible to all

No capping / €5000 franchise

Returned to RD measures of direct benefit to primary producers

Rate must be set paying regard to how funds can be deployed

Rate must reflect extent to which farm provides labour

Use of Modulated Funds

UK receives unjustifiably low (3.5%) level of RD funding.

Member states must ensure monies are returned to the industry – not used to fund e.g. inspections.

In pillar 2 context, would see justification for ‘coupling’ some payments e.g to address under-stocking which is having a negative environmental impact.

Financial Arrangements

Modulated funds should not be used to increase EU co-financing – retrograde step.

3 Commission criteria would not result in Wales and UK achieving fair allocation of Pillar 2. Other criteria is needed, e.g. LFA status, extent of environmental designation.

Arable Regime

Opposed to 10 year set-aside in order to qualify for AAP– should be determined on voluntary basis and by market factors.

Non-Food Crops

Concerned Wales will be disadvantaged – carbon credit proposals do not stimulate growth of alternative crops.

Livestock and Dairy Regimes

Demise of milk quotas would be premature-would place Welsh milk sector in further jeopardy. Must put in place efficient processing capacity before abolishing quotas.

Farmers’ Union
of Wales

General Comments

Await draft legal texts – should answer many questions. Current proposals provide insufficient detail to allow proper consideration. Suggest Welsh Assembly undertake second consultation when legal texts are available.

Must ensure Welsh agriculture is not further disadvantaged by policy changes under MTR.

Market Support Regimes

Sheep – advise introducing an element of indexation to ensure the fixed payment to

sheep producers remains in line with inflation.

Beef – Should give serious consideration to encouraging quality beef production in Wales in light of the imbalance between production and consumption.

Welsh Assembly should join Scottish Executive in seeking an increase in suckler cow quota for duration of current beef regime.

Should remove barriers to free movement of beef carcasses and live animals to enable Welsh producers to compete fairly with EU counterparts.

Dairy – Four possible options outlined by Commission. Welsh dairy farmers concerned that options signal progressive reduction in market price through WTO commitments and quota removal without any compensation for producers.

Any changes to quota regime must be accompanied by alternative support for the industry.

Cereals – Should re-examine Welsh yield region and perpetuation of the differential between Welsh and English producers under AAPS. Also should address the issue of arable aid base areas – payments are based on land registered in 1992. Should investigate opportunities for greater number of Welsh producers to become eligible for Arable Aid Scheme.

Decoupling Direct Payments from Production

Historical payments raise a number of issues:

- How long will the payments be guaranteed?
- What reference years will be used?
- Will Member States have the freedom to choose the reference years or will the Commission specify?
- 2001 should be discounted in any reference year calculation formula – FMD
- Should not be based on any year pre 2002, given the increase in direct payments as compensation for intervention cuts and the introduction of the revised sheep regime
- Until the UK joins, should be calculated on a Euro basis.
- Should take full account of lessons learned from introduction of beef and sheep quotas in 1992.
- Reference years must maximise returns to Welsh farmers and ensure fair distribution of support.

Need further detail on eligible hectares – will all land attract the same payment, regardless of quality?

New entrants – will they be allocated a payment without having to pay rent on land based on its support potential?

Must protect tenants who have purchased quota – this will be worthless.

Possible ramifications for future agri-environment schemes, e.g. issue of land abandonment.

Require more detail with regard calculation of entitlement on a Member State basis

How will organic stewardship payments be affected?

Must ensure farmers are not overburdened by additional paperwork.

Need more detail on how short term land lets and temporary grazing will be impacted.

Welsh Assembly, not DEFRA, should decide on most appropriate cross-compliance elements for the Welsh industry.

Set-aside – will 10 year break from cultivation render the land uncultivated? Is there a need for set-aside given that future production would be totally separate from agricultural support?

Whole farm audits – must ensure these checks do not replicate existing requirements. Further clarification needed on the funding of audits – wary of the likely RDR budget shortfall and must prevent waiting list comparable to Farming Connect.

Farmers who have already diversified into unsupported areas will lose out – those who adapt holdings following the introduction of a single payment will continue to receive support.

Reinforcing Rural Development Pillar

Opposition to modulation proposals as follows:

- UK would contribute approx 20% of EU modulated funds but would be re-

allocated only 3.5%. UK should lobby for substantial increase in its' pillar 2 funding.

- Re-deployment of modulated funds at EU level will increase bureaucracy
- Wales will be severely disadvantaged in terms of fund allocation when measured against GDP, land area and labour.
- Current initiatives – Tir Gofal – do not receive adequate funding. If scope of RDP schemes increases, situation will intensify.
- Capping – insignificant impact on Wales. Funds arising from a ‘cap’ should be centrally pooled.
- Concern that Treasury will have no obligation to match-fund monies raised through modulation.

Country Land
and Business
Association
Wales

General Comments

To ensure the CAP is sustainable, we need to move from a system of agricultural production to a more balanced and better integrated rural policy. This is necessary for sustainability of the rural economy, continuation of public support, facilitating Eastward enlargement of the EU and easing tensions in international trade relations caused by the CAP.

We support the idea that the CAP is an evolving policy, and further evolution is necessary

Broadly accept the way the Commission describes the **aims of the Mid Term Review**, but point out an omission in this analysis relating to the management of greater volatility surrounding agricultural markets.

Should learn from USA – decoupled payments created market volatility and they have reversed this policy, increasing financial support for a further 6-10 years. EU is putting agriculture at risk and minimal safety-net intervention does not go far enough.

UK government should make clear case to Commission on the particular fragile economic state of British agriculture. Farm incomes have been falling in the UK but rising in most other Member States – grains market causing particular difficulty.

Without recovery in the economic position of major sectors of British agriculture there is no capacity to cope with reductions in support.

Do not propose to comment on the specific commodity related proposals. We are not ready to react to the big changes in Dairy. The CLA position on dairy sector reform will be made available later in the autumn after deeper consultation with

members.

For internal (EU) reasons as well as the challenges of Enlargement and the WTO, it is necessary to make further changes to CAP now, not wait to the end of the Agenda 2000 period.

Greater clarity is required about some of the principles. Also some serious concerns about some of the proposals.

Decoupling pillar 1 payments

Which payments are to be decoupled? Must eventually apply to all sectors – it is unclear why, in principle, certain crops should be exempt from these reforms.

Pillar 1 cross-compliance represents a proxy for longer-term conversion to environmental payments and, for reasons of principle and practicality, decoupled payments should be attached to land, and administered by simple area payments reflecting normal returns for all production factors on agreed, mapped, eligible land areas.

Would be advisable to obtain confirmation from the Commission that the new decoupled payments remain outside the scope of VAT. Also urge UK Government to follow through the income and capital tax consequences of the changed basis of support at an early stage.

Payments must be subject to environmental conditions – incoherent if significant amounts of public money were distributed in Pillar 2 agri-environment schemes and yet much larger payments in Pillar 1 were not subject to some basic environmental conditions. The MTR proposal is essentially to implement the existing regulation in a common EU framework. Supports proposals such as Entry-Level Stewardship as the right way to raise environmental standards.

Decoupled payments and conditions of entitlement should be attached to the whole agricultural area, and payments should follow the land in any transaction. This might pose particular problems for landless graziers and those who farm common land.

The prevention of conversion of pasture to arable land is an overly-prescriptive interference in land use which should be determined by market forces within national land use planning laws. Not acceptable to have this matter determined at EU level.

Supply management tools, such as set-aside, should be abolished, although advise caution with regard timing and rate for already depressed grain markets. Do not support the conversion of existing set-aside into compulsory long-term, non-rotational, environmental set-aside.

Strongly supports the notion that there are substantial market failures and market distortions concerning the production, pricing and use of energy – do not wish to lose the benefits gained from the appropriate encouragement of **energy crops and carbon credit**. Strongly supports idea of carbon credits scheme. Need more work to devise practical ways of measuring and monitoring the carbon balance of land management systems.

Retaining existing 10% set-aside as a long-term environmental measure is not acceptable – need to move to a broader based, ‘greener’ pillar 1 scheme.

Payment rates set on an historical basis should exclude years such as 2001 (FMD). Farmers should be able to opt individually for a ‘best year’ within a range, e.g. 2000-2002. If total claims exceed the budget, all calims should be reduced pro-rata –this would reduce number of ‘special cases’.

Payments should be based historically pre July 10th 2002 to ensure behaviour in the coming months is not influenced by speculation about the outcome of political negotiations.

A national reserve should be established to top-up or make payments to those farmers who whose decoupled payment is lower than that of the chosen base year.

Support farm audits, but suggest they should be simple to start with and only extended if able to do so in a less bureaucratic way. Should not just apply to larger commercial farms as many environmentally significant land is managed by small, part-time operations.

Compulsory, Dynamic Modulation

Supports compulsory fund-switching – ‘dynamic modulation’ considered an ‘unhelpful’ name. There should be no additional modulation in England and Wales until the remainder of the EU is at our level. Funds already modulated should be safe-guarded, not returned for re-distribution.

UK Government is urged to reject both the labour-adjustable franchise and the proposed payment ceiling.

Proposed modulation is rejected for the following reasons:

- It is profoundly anti-competitive
- Is discriminatory against the UK
- Use of labour units in scaling the franchise has no economic sense
- Payment ceilings are punitive and crude and will have highly distortive impacts on land values in certain cases. Ceilings contradict the policy intention that direct payments be transformed into environmental and cultural landscape services –would lead to complicated and bizarre policy as ceilings could be ‘broken’ by receiving pillar 2 environmental payments

Use of Modulated Funds

Welcome the distribution of Pillar 2 funds under the 3 criteria outlined by the Commission, but urge Government to ensure the chosen weighting results in a UK share of the additional funds much higher than our existing share of Pillar 2 and close to our share of EU agricultural land.

Welcomes the additional flexibility the Commission is offering in how the additional Pillar 2 funds can be spent. Funds should be available for all Pillar 2 RDR measures. Important that ARAD start early to plan the process of agreeing with stakeholders how the additional Pillar 2 funds should be deployed in Wales.

Concerned re changes in co-financing rules which may result in lower total rural expenditure by reducing the UK Treasury contribution.

New actions in the Rural Development Regulation (RDR)

On the proposed two new chapters covering Food Quality and Meeting Standards, these will only apply to farmer beneficiaries. The additions are, in general, welcome, but we flag the point that over time, *rural* development must extend beyond *agricultural* development and farmers. Indeed the way to assist farmers and their families is by encouraging a wider diversification of activity and employment in rural areas which enables families to stay in farming but to enjoy higher living standards through off-farm work too.

The **Food Quality** chapter contains many welcome ideas which can help promote and fund many of the suggestions in the report of the Independent Policy (Curry) Commission. However a word of warning is necessary that the demand for quality produce is ultimately determined by the market. There are dangers in ‘the state’ getting too intimately involved in marketing; the collective role is one of facilitation, information, training and awareness raising. We must resist collectively

setting target market shares for these quality produce as has been discussed for organic foods.

The **Meeting Standards** chapter proposing "temporary and digressive" aids to farmers are welcome too. There is a large tranche of environmental and other regulation heading towards farmers and implementation of these regulations invariably involves time and often material costs to businesses to adapt. The principle that in response to enjoying the public benefits that these regulations bring there can be financial assistance with the adjustment costs is a sensible one. It makes it rather more likely that the regulations will be implemented. Much remains to be done to clarify which standards are referred to, which costs will be eligible for assistance.

Further clarification is also required to avoid confusion between three different routes for dealing with the problem of higher European regulatory standards and the implications for costs and competitiveness. This new chapter in the RDR is one of these routes. To the extent that Pillar 1 payments are justified in terms of compliance with environmental and other regulations, this is a second route. The third concerns the efforts by the Commission to defend European border protection through the WTO non-trade concerns. We will not persuade trade partners of these legitimate concerns unless there is a coherent and transparent approach to these matters.

Countryside
Council for
Wales

Market Reform

(i) Cereals

Generally supportive of shift from market support to direct payments. Introduces greater transparency, but question how reduction in intervention support will be compensated if historically based 'single income payments' are introduced.

(ii) Beef

Welcome the statement that support will be dependent on cross-compliance conditions including land management obligations.

(iii) Environmental and social objectives appear appropriate for some sectors, not others. Valid arguments for maintaining and simplifying support arrangements for cattle farming and small-scale arable cropping in Welsh LFA and elsewhere, in line with Commission proposals re the nut regime.

(iv) No specific observations on the Commission's technical report on reform of the dairy sector, but must ensure any reform does impact unduly on beef farming in

Welsh uplands.

Decoupling of Subsidies from Production

Welcome proposals. Decoupling is effectively neutral from an environmental perspective. Delivery of new system depends largely on the capacity for cross-compliance measures to prevent environmental damage and RD measures to encourage beneficial approaches to land management.

Proposals may accelerate current shift away from MSEs and consequent reductions in labour force.

If Member States have flexibility to re-distribute within the region, could investigate using 'weighted allocation' of subsidies for SAC and SSSI candidates.

More details needed on reference years for historically-based payments.

Cross-compliance proposal needs clarification – would it encompass more than a statutory regime or go further to include existing mandatory requirements, e.g. overgrazing regs?

Farm audits should apply to all farms receiving a single income payment – no exclusion for those receiving less than €5000. Minimum standards should be defined at EU level to include GFP and environmental elements. Seek flexibility to account for particular environmental conditions in each region of the EU.

If land goes out of production, payment should be recycled into Pillar 2 measures within the Member State. This should not impact on agri-environmental payments attached to the land.

Definition of 'good agricultural condition' should include all land use under agri-environment chapter of RDR.

Advocate using a mixture of long term and short term rotational set-aside, as both bring unique benefits, whilst stressing long term has greater potential for improving wildlife, historic features and public enjoyment.

Strengthening the RDR

First priority is to apply a more objective approach to distributing existing RD funds. Many questions remain for the medium and longer term.

Suggest strengthening proposed criteria, giving most weight to agricultural area, especially for Natura 2000 and SSSI candidates.

Should food quality be a mandatory requirement – need more detail on budgetary implications.

Transitional aid proposal welcomed.

Supports proposal to increase co-financing rates for both agri-environment and objective 1 measures.

Suggest extending compliance requirements for GFP and Minimum Environmental Standards to all farmers receiving RDR and single income payments.

Recommend including demonstration farms and extension/advisory services under Farming Connect under the proposed ‘meeting standards’ chapter.

Warmly welcome introduction of bloc exemption and avoidance of ex-ante notification with regard to State Aids.

Royal Society
for the
Protection of
Birds Wales

General Comments

Broadly supports MTR proposals, but await legislative texts for finer detail.

Key implications for the environment are:

1. Less incentives for farmers to intensify production methods which may lead to more extensive farming systems of benefit to wildlife but could also result in partial or full land abandonment which could lead to a loss of biodiversity;
2. Emphasis on higher environmental standards (through regulation and incentives) which should help to combat, for example, water pollution, soil erosion, loss of biodiversity and habitats;
3. **Increased budgets for the RDR resulting in more farmers and land enrolled in agri-environment schemes or other environmental projects;**
4. **Reduction in the wildlife value of set-aside as the proposal currently stands due to the non-rotational nature;**
5. **Greater emphasis on energy crops with possible benefits for mitigating climate change but also negative environmental implications if grown in incorrect locations.**

Market Reforms

Support all proposals, particularly abolishment of milk quotas from 2008. During interim period should focus on developing Pillar II schemes that would be attractive to dairy farmers to retain a balance of farm sizes and promote environmental protection and enhancement.

Decoupling of Subsidies

Support further decoupling of payments from production but recognise that a single income payment has both positive and negative attributes. Consideration should be given to how payment would work in practice, specifically: how it relates to a farm business, an individual farmer or land and how tenanted land, new entrants to farming and other issues will be dealt with. Consideration also as to whether an area based payment might be a better alternative.

Support compulsory cross compliance and farm audits and give further consideration to how these could be applied both in the UK and at EU level.

Lobby for change to the set-aside proposal to ensure that both rotational and non-rotational set-aside is allowed, as this will be of greater benefit to birds and the environment more generally.

Support carbon credit for energy crops but argue for rules to prevent the inappropriate siting of such crops e.g. on sensitive habitats or areas of high conservation value

Dynamic Modulation

Support but lobby for formula used to allocate the funds raised by this measure to include environmental as well as socio-economic considerations.

Support proposal for capping as a means of shifting funding from Pillar I to Pillar II.

Strengthening RDR

Support measures strengthening and broadening the rural development regulation including the 2 new chapters and the increase in co-funding rates for agri-environment schemes.

Consider whether regulations should state that a minimum % level of RDR funds should be allocated to environmental measures and what % this should be.

Examine the case for payments to farmers who produce agricultural goods

according to the requirements of assurance schemes and whether this constitutes double-funding given that these requirements are also likely to be met through a mix of cross compliance, agri-environment schemes and payments for meeting standards.

Environment
Agency

Decoupling

- The Agency supports decoupling, provided adequate environmental safeguards are in place
- The Agency would welcome the opportunity to contribute to the framework to establish the basic implementation criteria for cross-compliance

Dynamic Modulation

- The Agency favours compulsory modulation
- The UK needs a larger share of Pillar 2 funding. The UK has 12% of the agricultural land yet only 3% of the rural development budget
- Negotiation of the criteria for the redistribution of modulated funds across the Member States will be critical in ensuring that UK farmers are not disadvantaged
- The proposed Meeting Standards chapter provides a valuable opportunity to prepare farmers for new environmental obligations
- More flexible use of rural development funding should reward farmers for higher environmental standards.
- The impact of the proposals on the devolved administrations will be different. Some joint analysis with the devolved administrations would be helpful

National Sheep
Association

General Comments

Surprise at the apparently low-standing of the sheep industry considering the part they play in maintaining the rural landscape.

Support the rejection of the notion that EU agriculture can promote the objectives by abolishing or re-nationalising support.

In general terms, supportive of the objectives.

Concern that 'market balances' and 'agricultural incomes' have not improved for the sheep sector.

Without a truly positive approach, there will be a continued decline in numbers of

young entrants.

Concern that the stated shift from mixed and traditional farming methods is detrimental to sustainability.

Decoupled Payments

Support historically based payments provided reference period is from a time when the sheep sector was healthy.

Success if a decoupled regime will depend entirely on choosing acceptable reference years.

Cross-compliance – issues regarding land recovery following winter feeding – farmers should not be penalised as either environment or animal welfare could suffer – farmer would be more vulnerable.

Food quality – concern over differing interpretations of ‘quality’. Flavour and texture of meat varies from area to area.

Higher standards and improved animal welfare could increase number of ‘officials’ on farms and reduce the autonomy of the businessman farmer. Red tape could also reduce the will of young people to enter the industry and would increase costs without measurable benefit.

Animal welfare and environmental integration – supportive provided those committed to this receive appropriate remuneration.

Farm audits – not convinced that this will produce any tangible benefit – cost and interference to the normal running of a farm.

Environmental set-aside – not sure how it will achieve real environmental benefit.

Carbon credit – If workable, could provide a positive pointer to the future.

Strengthening of the RDR

Supportive – agree with main thrust of proposals.

Dynamic Modulation

Labour units franchise – not convinced modulating support payments will be successful.

Use of Modulated Funds

Organic route does not necessarily produce safe food.

Concerned that aid will be directed at producer groups, discriminating against those who operate on their own

State Aid

Reservation –potential it provides for other countries to compete unfairly.

National Beef Association

Market Support Regimes

Happy that beef regimes will remain unaltered.

Decoupling

See advantages to a single income payment.

Must exclude 2001 as a reference year for historical receipts.

Member States must re-allocate within their territory.

Concern that a single income payment will inflate land values.

Cross-compliance rules should be such that a holding must have animals.

Assert that increased numbers of beef and suckler herds would improve the environment.

All beef farmers would welcome a 3-5 yearly whole farm audit – but should not duplicate resources if other schemes necessitate similar checks.

Capping would result in larger farms breaking into smaller units.

Dynamic Modulation

Not convinced that modulation will be a more acceptable to tax-payers than the

current system.

Object to the diversion of funds from farming itself, which is the keystone of land management if properly undertaken.

If adopted, modulation should be consistent throughout the EU.

Modulated funds should be retained and re-allocated by the Member State.

Labour units – proposal not in line with UK farm structures.

Use of Modulated Funds

Would support projects aimed to improve beef processing structures.

‘Meeting Standards’ chapter should be linked with farm-assurance.

Meat and
Livestock
Commission

General Comments

Welcome need for reform – current support measures encourage production, not necessarily in line with market requirements.

New regime would reduce administrative burdens.

Market Reform

Welcome any measure that reinforces and ensures high levels of animal welfare in transit.

Decoupling of Subsidies from Production

Support the following:

- Simplified administration for producers
- Production becoming market focussed and more flexible
- Compatible with WTO

Caution that detail will be crucial, particularly for cross-compliance issues and the means of ensuring enforcement and compliance.

Concern that beef and sheep sectors will be further depressed and UK will further rely more on imports – land management measures need further consideration to

avoid this.

Potential negative effects:

- Land abandonment and resulting drop in livestock production
- Consequence to processing sector and other related industries
- Perception of tax payer – producers receiving money for nothing.

Need specific details on:

- Definition of ‘eligible hectares’
- Reference years – 2001 not a good year to include
- Calculations to be used by Member States to avoid distortion and maintain competitiveness
- Treatment of national envelopes.

Farm audits – will ensure transparency and compliance with basic issues – Must be across Member States.. Proposals do not make clear how much farmers will contribute to the cost of the audit.

Dynamic Modulation

Wish to see complete transparency in the methodology applied to reallocation of modulated funds.

Concern there may be a shift of funds to southern and eastern Europe.

The definition of a farm in terms of labour franchise and capping is crucial.

Will a farm be defined as a single holding or a group of holdings that make up a single business – cf IAACS definition.

UK is less likely to be exempt due to number of comparatively larger farms.

Welcome ‘food quality’ RDR chapter. Revised scheme must include existing quality schemes.

Financial assistance to farmers to meet costs of achieving targets and farm audits could be unfair if not applied across every Member State.

Welsh National
Parks Authority

The three Welsh National Parks welcome the broad thrust of the MTR proposals, particularly steps to address concerns over production and consumption patterns and to sustain rural communities.

Important that the Assembly is involved in shaping these reforms, as Wales could benefit from proposals to redistribute from intensive cereal and livestock producing areas to poorer, more extensive/mountainous areas. MTR proposals could also assist in carrying forward 'Farming for the Future'.

Await further details to be published in legal text and wish to contribute to further deliberation on the Welsh position.

Decoupling

Welcome decoupling principle as existing production-linked subsidies support unsustainable farming. Has potential to allow more environmental benefit provided sustainable farming systems and good management practices are fostered through cross-compliance. Risk of land abandonment especially in the LFA.

Cross-compliance should be compulsory to conform to verifiable standards and EU Environmental Legislation. Whole farm audits are welcomed, but should apply to all farms receiving direct payments, including those receiving less than €5,000. Environmental, food safety and animal welfare standards should be enforced regardless of support received.

Need clarification re decoupled payment rates – what scope will Member States have to reallocate payments based on historic receipts and over what time period? Land transfer post-decoupling would attract a payment entitlement and this has obvious potential to distort the market, creating and maintaining long term inequalities. Suggest payments made over a transitional period with payments geared to historic receipts followed by a re-allocation based on ecological carrying capacity where payment rates are anomalous.

Strengthening Rural Development

Continue to support modulation and welcome increase in %. Concern that funds modulated in Wales will not be kept in Wales. Urge Welsh Assembly and UK Government to press for full development of potential from Rural Development Regs. Modulated funds should be targeted to local circumstances to support, in particular, traditional farming systems and promote high quality environments.

Strongly support increase in co-finance of agri-environment schemes to enable

expansion in funding of Tir Gofal.

State Aids

Welcome block exception of state aid regs in agriculture as current situation is too complex, uncertain and bureaucratic.

Wales Wildlife
and Countryside
Link

General Comments

Public funding should be used for multiple public benefits.

Welcome proposals to move away from direction production support.

Suggest developing an educational programme aimed at both urban and rural areas to increase public understanding of RD issues.

Dynamic Modulation

Support principle.

Concern that modulated funds will be returned to Brussels – re-distribution from the ‘centre’ would disadvantage Welsh farming and environmentally sustainable farming practices.

Will the UK be constrained by 3.5% stepped annual increase?

Safeguarding environment and cohesion – will this be highlighted by Welsh Assembly?

Monies retained through ‘capping’ should be retained at Member State level, but re-allocated at regional level within the Member State.

Decoupling

Welcome the proposal, but practicalities need to be clarified. Need to be flexible with regard land-use. Final proposals must be flexible enough to positively encourage changes in land use and deliver multifunctional benefits.

Cross-compliance regs will play a critical role in ensuring transition to decoupled payments will not negatively impact upon the environment and key European wildlife habitats.

Should be emphasis on enforcement of cross-compliance and advice on preventing repetition of incidents such as flooding, erosion and pollution.

Historical payments – what is meant, what years will be used, will payments reduce progressively over time, what happens when farm land is sold for alternative uses, what happens to land that has been unfarmed but there are plans to re-enter production?

Accompanying measures

Welcome introduction of food quality chapter. – should be used to deliver improvements in base-line environmental standards.

Animal welfare considerations better addressed within existing codes of GFP.

Campaign for
the Rural
Protection of
Wales

Decoupling

Supportive.

Farm audits contain common criteria across the EU and be used to ensure land is managed to required environmental standards.

Essential that cross-compliance goes beyond regulatory requirements. Should not prohibit farmers taking land out of production to enhance the environment.

Strengthening Rural Development and Dynamic Modulation

Supportive of modulation proposals.

Concern re re-distribution of modulated funds-should be ring-fenced within the Member State, not re-distributed from Brussels. Concern that there is no commitment post 2006.

Member State co-finance will prohibit large scale shift to pillar 2 – coupled increases in co-financing will not be met within Member State budgets. National co-financing rates should be reduced.

Use of Modulated Funds

Animal welfare provisions must be applied throughout EU but improvements should be market-supported, not through modulated funds.

Coed Cymru	<p>Decoupling</p> <p>Very positive repercussions provided woodland, hedgerows and stream margins can be fenced out for protection from grazing without a proportional reduction in payments, as often happens now. Emphasises the importance of interaction of forage area calculation and woodland regeneration. Would see significant enhancement in biodiversity . Attendant thinning of woodlands will also produce hardwood timbers which will assist farm diversification and development of local timber using business.</p>
Coed Cadw Woodland Trust	<p>General Comments</p> <p>Broadly supports proposals.</p> <p>Decoupling</p> <p>Supports:</p> <ul style="list-style-type: none"> (i) proposed decoupling of direct payments and introduction of cross-compliance. (ii) basis of subsidiarity to ensure equity of payments across regions. (iii) Single income payment on hectare payment entitlements – will solve issues when land parcels are sold. (iv) wider use of cross-compliance given there will be no obligation to produce anything but food imported into EU should meet the same standards and food produced there. (v) whole farm audits – would encourage holistic approach to land use. All farms should be included, with smaller farms subject to less frequent review. (vi) New energy crops proposals and carbon credit payments. <p>Need further clarification regarding how historical receipts will be used to calculate future payments and frequency of review of payment rates.</p> <p>Strengthening Rural Development</p> <p>Supportive of:</p> <ul style="list-style-type: none"> (i) compulsory dynamic modulation but need more information on how this will be

applied to country such as the UK who are already modulating first pillar payments. Also require more clarity on whether a member state could modulate at a rate higher than 3% and do so more quickly if desired.

(ii) plans to target modulated funds to rural development.

(iii) proposed payment ceiling and plans to keep monies saved through implementation of a ceiling within the member state. Possibility that some of the modulated funds arising in England would be redistributed between UK nations on the basis of agricultural land area and environmental benefits arising.

(iv) proposal to exempt farms from modulation for the first 5000 Euro and a further 3000 Euro for each full time labour unit employed on a holding.

Concern over modulated funds being held and redistributed by Europe on criteria of need within the EU. Could result in a net loss of money from agriculture in Wales as our need could be lower than that of other member states. Undermines the principle of funds released by modulation being recycled into rural development.

World Wildlife
Fund Cymru

General Comments

Lack of clarity within proposals make impact assessment difficult

Supports:

- Decoupling of payments from production to remove direct drivers of environmental damage;
- Setting of rigorous standards and conditions on receipt of all public money by **all** farmers – not just those in receipt of payments over the minimum ‘franchise’;
- The broadening and strengthening of current minimal standards to cover welfare, safety and food quality as well as the environment;
- The start made in shifting money from the first to second pillar;
- The franchise as a recognition of the social benefits of small-scale farming and as a measure to simplify modulation in practice;
- The ceiling on total receipts as an explicit measure to start to tackle the unfairness of the current CAP;
- The principle of the redistribution of CAP money at a European level to direct it to priority issues and areas;
- The start made in broadening the remit of the second pillar of the CAP by including animal welfare, meeting standards, food quality and safety;
- The start made in introducing a greater emphasis on agri-environment and animal welfare by altering co-financing rules;

- The introduction of farm audits – which must apply to **all** farms irrespective of size or amount of money received and must be interpreted as tools for whole farm management rather than simply lists of on-farm resources;

Contests:

- The re-coupling of payments to producers once they have been decoupled from production particularly through basing income payments on historic receipts. This can only serve to introduce a new set of distortions and harmful impacts to replace the existing ones. It will also only slow the pace at which the CAP can be transformed into a policy that meets its wider objectives;
- The use of economic criteria alone to decide how modulated money is re-distributed around Europe;

Would like to see:

- The re-coupling of payments to the provision of public environmental and social goods;
- This should be achieved in the first place through the removal of **all** direct payments and shifting of 100% of the CAP budget to a reformed second pillar at a faster rate than envisaged here;
- Failing that we would like to see a much higher and faster rate of shifting than proposed here;
- Standards for the receipt of public assistance developed uniformly across Europe in relation to priority European issues but flexibly and openly developed by Member States in partnership with all relevant parties;
- Environmental criteria such as the burden of implementing EU environmental legislation used to determine a new pattern of CAP spend in Europe;
- A greater, deeper and more meaningful reform of the RDR to make it more flexible for Member States to implement and fund but also more directed at delivering against genuine rural need and genuine public benefits;
- A fundamental reform of **all** market regimes and sectors of the CAP along a common set of principles that include the need to ensure that public policy and money does not support any form of environmental damage but rather ensures the delivery of public benefits both within Europe and globally. This should include:
 - The abolition of export subsidies as an instrument European agricultural policy;
 - Increased market access for fairly and sustainably produced goods;
 - The abolition of milk quotas to be replaced by targeted support for dairy farming with positive environmental and social benefits only;

- The urgent and fundamental reform of the sugar, olive oil, fruit and vegetables and wine regimes now not later;
- The replacement of the current set-aside scheme with one that has greater flexibility to deliver local and regional environmental benefits.

Menter a Busnes

Strongly disagree with lack of commitment after 2006 to spending all modulated funds on rural development. Long term schemes and commitment of all modulated funds are needed until at least 2020 in order to develop policies and long term measures to contribute creatively to developing sustainable and flourishing rural communities.

Welsh
Development
Agency

Market Support Regimes

Cereals – proposals likely to have very limited impact on Wales, but a decoupled single direct payment per farm will have a positive environmental effect on the arable activity.

Beef – Current market recovery could be jeopardised by encouraging intensification. Supports decoupled payments linked to cross-compliance to encourage good farming practices, environmental benefits, animal welfare and food safety.

Dairy – support option to abolish milk quotas from 2008, providing adequate processing capacity is put in place to allow Wales to compete with the rest of the UK. Currently, quotas limit milk production, resulting in declining income and increased loan repayments to purchase further quota. Also losing out to US and New Zealand milk producers who are able to produce milk unabated.

Decoupled Single Direct Payments per Farm

Support the move from production to producer – linked subsidy and the link to cross-compliance.

Support further aid made available for production of alternative energy crops – should work to ensure maximum assistance available for production of these crops in Wales – will provide alternative income and contribute to the Assembly’s renewable energy targets.

Should provide support for hemp and flax growers – realistic option for those wishing to diversify.

Some caution re whole farm audits –must ensure no duplication of checks with

other schemes, eg. Tir Gofal.

Strengthening Rural Development

Dynamic modulation unlikely to have drastic impact on Welsh farmers in terms of lost revenue – should provide benefits through schemes such as Organic Conversion, Farming Connect and Tir Gofal. These schemes will need to become available to more to ensure success.

Would welcome more funding for new entrants and existing young farmers.

Proposals do not seem to reflect much of an increased emphasis on wider rural development.

Welsh Agri-
Food Partnership
Organic Strategy
Group

Market Support Regimes

Reduction in cereal price translating into increased arable aid payments would benefit organic producers.

Modifications to dried-fodder arrangements may be of benefit to producers using hay.

Should argue for removal of production constraints, including quotas, on organic producers.

Decoupling

Welcomed by organic producers - desirable on husbandry, welfare and environmental grounds.

Will benefit those yet to convert to organic production – disappearance of stocking rates.

Historical reference period should be pre 1999, as most have converted since then.

See little problem with farm audit – most organic farms would currently fit proposed criteria – could incorporate checks in the organic inspection regime.

Organic producers should be totally exempt from set-aside requirements – could constitute a double penalty and be counter productive.

Strengthening the RDR

Proposals likely to benefit organic producers – labour-unit franchise in particular, as they tend to use more labour than conventional producers

Use of Modulated Funds

Support as will strengthen funds for Organic stewardship payments and could facilitate European action plan for organic farming and food standards.

Proposed environmental, food quality and animal welfare standards sit well with current organic standards.

Block exemption from state aids might help development of public procurement initiatives for local and organic foods.

Royal Institute
of Chartered
Surveyors Wales

Market Support Regimes

Does not envisage any major implications for Wales.

Decoupling

Accepted – but has serious concerns regarding calculation of payments on historical receipts and implications on ownership and occupation rights.

Require more detail in relation to whole farm audits. Concern that bureaucracy will increase.

Dynamic Modulation

Some concern – unacceptable to re-allocate modulated funds to another region.

Need RD schemes which are straightforward to access and cheap to administer.

Labour units – full and part time, contractor and farm ring membership should all be taken into account.

Support using modulated funds to reinforce quality assurance, support and promotion for producer groups and increasing standards for the environment, animal welfare and food safety.

Existing and future RD initiatives require enhanced support through co-financing.

Market Reforms

Favour limiting maximum benefit to €300,000 – greater contribution to the ‘Welsh family farm’.

Farmers producing grain and milk products should not receive support above the often smaller sheep and cattle producer.

Would welcome moves to support a more secure market for the smaller milk producer.

Abolition of milk quotas not supported unless measures introduced to stabilise prices throughout EU. Creating separate quotas may level production, but support quota system supporting the smaller producer (300,000 litres per year?)

Should have even market throughout EU for every industry.

Decoupling

Believe there would be substantial support from farmers for such a move.

Some consultees not in favour – farmers should produce something to receive a payment – concern that imports would increase.

Dynamic Modulation

Will eventually lead to significant reduction in full-time farmers.

Strengthening Rural Development

Some concern regarding lack of commitment after 2006 – loss of revenue in rural areas.

Labour units – should be amended to an allowance of 1 labour unit over the first full time – will help protect the family farm.

Should not be increasing paperwork.

Animal welfare, environmental standards and food safety could be improved by reducing the number of low quality imports.

General Comments

Specific interest in grassland agriculture. Welcome the steps that are envisaged that would lead to simplification of subsidy application, payment and monitoring process.

MTR proposals represent welcome progression of CAP reform. Changes proposed are progressive rather than radical and appear to pay little regard to the political environment within which both agriculture and the CAP will function post-enlargement.

Market Support

Broadly in favour of decoupling, but some concern over linkage to historical direct payment receipts.

Remain concerned about dairy payment options – have potential to increase local surpluses and put further downward pressure on prices. In principle, are in favour of abolition of quota, but need a wholly transparent system with no significant differences between Member States in provision of indirect support or in costs associated with meeting regulations. If this is not achievable, would prefer to see export quotas used in order to support local milk production.

Decoupling

Strongly support simplification of procedures for payments. Concern over regulations for set-aside as there should be some elements of ecological management in return for payment. Welcome support for energy crops.

Rural Development

Dynamic modulation will generate resources to be employed in this area.

Concerns re trans-border movement of modulated funds – wish to see transparent and effective decision process aligned to clear and measurable objectives.

Concern re number of environmental regulations within the EC, some of which appear to set mutually inconsistent objectives.

Suggest some level of flexibility within member states to address compliance issues.

Payment ceilings may not be wholly effective given historic differences between member states in terms of mean farm sizes.

Support use of modulated funds to promote product quality, farm assurance and animal welfare.

Support catchment-based management plans integrating sustainable management between different farm types – would help preserve landscape diversity and is an area CAP does not currently promote.

National
Federation of
Women's
Institutes

Market Reforms

Before adopting measures that might reduce European food security, the European Commission should ascertain how much food should be produced within the EU in order to meet the requirements for sustainable agricultural production around the world. The British Government should conduct similar research into how much food the UK should be producing to meet its sustainable development obligations. It would be quite wrong to export unsustainable agricultural production to other countries and to increase pressure on other countries' production systems in order to make up for any reduction in domestic production for the domestic market.

The primary objective of CAP reform must be to maintain and develop sustainable multifunctional family farming in Europe and beyond, in line with the requirements of sustainable development, and to provide consumers with a diverse range of safe, nutritious, and sustainably and humanely produced foods.

The European Commission's proposals for the reform of the CAP offer little hope for sustainable family farming in the UK and Europe or beyond, and threatens further intensification of production and continued dumping of agricultural products on third countries.

The CAP is operating within a fundamentally unsustainable policy framework for agriculture around the world and the proposals fail to challenge the key drivers of unsustainability in British, European and world agriculture.

The proposals will do little to stem the tide of falling farm-gate prices, which benefit the processors and supermarkets, but which are crippling producers and offering little real benefit to consumers.

Decoupling

Decoupling direct payments within the current grossly distorted world market will lead inescapably to the re-location of production to lower cost areas, leading to a

loss of sustainability for all concerned.

Direct payments will need to continue so long as the world agricultural market is based on unsustainable production and consumption. Such payments should involve cross-compliance based on food safety, the number of farming people on the farm and respect for the environment and animal welfare.

The regulatory burden on small and family farms needs to be kept to the minimum necessary, and support may need to be provided to help them cope with the burden.

The idea of a single direct payment per farm is to be welcomed, but not in the form presented in the Commission's proposals.

Reallocating payments based on historical disbursements would reinforce the present inequitable distribution between producers, between countries and between production sectors. It would also penalise those producers who have already taken steps towards more humane and sustainable food production systems.

A ceiling on the payment available per farm would be desirable, provided that it does not inhibit further improvements in environmental and animal welfare standards and cannot be circumvented by the artificial division of farms into smaller units.

Too much reliance is being placed on Pillar II payments to deliver social, economic and environmental sustainability in rural areas. Evidence is needed of the contribution of Pillar II payments to long-term rural sustainability. If no such evidence already exists, research needs to be quickly undertaken to examine the long-term effectiveness of such payments.

State Aids

State Aid rules must not inhibit government support for the development of regional and local food schemes, including public procurement of locally produced food.

Other measures need to be introduced into the CAP to shorten the food chain and re-localise production wherever possible.

<p>Richard Japeth</p> <p>Glan Llyn</p> <p>Llanaelhaearn</p> <p>Caernarfon</p> <p>Gwynedd</p>	<p>Decoupled payments seen as technically similar to Tir Mynydd – payments made on a land not headage basis.</p> <p>Not supportive of decoupling proposals and suggests decreasing quota on sheep and cattle by 3% to control stock density and stop exchange of lease or purchase of quotas unless the holding in its’ entirety is purchased or transferred.</p> <p>Suggests introducing a pension scheme for farmers over 60.</p> <p>Entering ESA and Tir Gofal schemes is very difficult – should consider improving this to encourage better management of land – would attract more tourists.</p> <p>Farms with ‘right to roam’ access should be compensated by the Government for increased insurance and safety costs.</p> <p>Too much variation in price of product between farmers and abattoirs.</p> <p>Need better labelling on quality of imported meat.</p>
<p>Disability Wales</p>	<p>Unable to respond on this occasion as theme of consultation is not currently an identified priority area.</p>