

HYBU CIG CYMRU - MEAT PROMOTION WALES



Our Ref: SAJ/KH/Cons.

27 September 2012

Mr Vaughan Gething AM
Chair – Common Agricultural Policy Task and Finish Group
Environment and Sustainability Committee
Cardiff Bay
Cardiff
CF99 1NA

Ty Rheidol
Parc Merlin
Aberystwyth
Ceredigion
SY23 3FF

Tel: 01970 625 050
Fax: 01970 615 148
Email:
info@hccmpw.org.uk
www.hccmpw.org.uk

Email: es.comm@wales.gov.uk

Dear Mr Gething

Common Agriculture Policy

Thank you for the opportunity to respond to the above consultation.

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC's stakeholder representatives implement, on behalf of all Welsh farmers and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

Reform of the Common Agricultural Policy (CAP) is expected to pose a major challenge to the Welsh red meat industry in the short term and Welsh producers will need to come to terms with the full implications for their businesses of changes in European support mechanisms and their subsequent impact on regulatory burden and environmental management.

The Welsh red meat sector (sheep, cattle and pigs) is an important primary production industry in respect of the rural economy and sustainable management of the landscape. Welsh red meat production contributed 39 percent of the annual total value of Welsh agricultural output, worth £447 million in 2010.

In the majority of rural areas of Wales, agriculture is the main source of employment and essential to local economies. Welsh agriculture directly supports a workforce of over 56,000 (4.4 percent of the Welsh working population) - employment in the beef and sheep sector represents a large proportion of this workforce.

As food producers and custodians of the Welsh landscape, red meat producers in Wales play a vital role, as they represent over 55 percent of active Welsh holdings. However, producers face a number of challenges, including fluctuating prices and the subsequent impact on profitability, which has left many farms struggling with financial viability. In 2011 there were 4.1 million breeding ewes, a breeding beef herd of 323,000 head, a breeding dairy herd of 337,000 head, and a pig breeding herd of 5,000 head.

The abattoir and processing sector in Wales has undergone significant rationalisation and faces a continuing underlying problem of fluctuating and, at times, low profitability. There are currently 23 operational red meat abattoirs in Wales, of which four are responsible for approximately 80 percent of the Welsh sheepmeat throughput and four are responsible for approximately 90 percent of the Welsh cattle throughput. Seven abattoirs account for approximately 80 percent of the Welsh pig throughput. In 2011, 69,000 tonnes of sheepmeat, 44,500 tonnes of beef, and 2,300 tonnes of pigmeat was produced in Welsh abattoirs.

The Welsh livestock auction market sector is also facing challenges, including maintaining future supply of livestock and coping with regulatory burdens. During 2010, the 24 livestock markets in Wales marketed over 1.3 million prime sheep and 14,000 prime cattle. Very few pigs were marketed through Welsh livestock markets.

However, these challenges also present a number of significant opportunities for the Welsh red meat industry. The image of the 'Welsh' brand encapsulates premium fresh red meat products backed up by provenance and taste, as the climate of Wales, the quality of its grassland and a family farm tradition, the commitment of all in the supply-chain, the location of abattoirs/ processing facilities close to production and the support available from the Welsh Government, HCC and industry partners; are all advantages for the industry to utilise. The Protected Geographical Indication (PGI) status for Welsh Lamb and Welsh Beef also provide the industry with the opportunity to develop differentiated products and Wales is well placed to respond to consumer demands for meat produced from well cared for livestock and in environmentally sensitive ways.

HCC is of the view that any policy reform should have food production and food security as a main driver. HCC therefore welcomes the justification of the European Commission (EC) for direct payments under the CAP in providing income support for farmers, supporting food production and enabling farmers to deliver environmental outcomes. In the case of rural development, the importance of a strongly funded successor Rural Development Plan (RDP) for Wales 2014-2020 cannot be over-emphasised in supporting the continued development of a sustainable red meat supply chain in Wales.

HCC is however concerned that the draft proposals published do not appear to be working towards a simplified CAP. Conversely, it would appear that the proposals, as presented, have the potential to result in a far more complicated CAP, one which will potentially be more difficult to deliver effectively. It is suggested that the "Working Smarter" agenda provides the basis for the Welsh Government to work towards achieving changes in respect of CAP Reform with the aim of reducing bureaucracy and regulation in Welsh agriculture.

HCC has considered the draft report on a Regulation establishing rules for direct payments which was published on 30 May 2012 by the appointed rapporteur, Mr Luis Manuel Capoulas Santos. The draft report proposes 107 amendments to the Commission's original proposal. Reform of the CAP is likely to impact upon all beef and sheep business in Wales. The views of HCC are provided in response to the amendments in the draft report and to the questions raised in the Task and Finish Group's consultation based on what is currently known and to the extent that is considered appropriate given the remit and role of HCC. They are addressed as follows:

Distribution of Direct Payments

In the draft report, Amendment 53 suggests that Member States should only be required to redistribute 20 percent of payments on an area basis in 2014 and that in 2019 (Amendment 55) Member States would have leeway to allow up to a 20 percent difference to average unit payments within their territory. HCC is supportive of the Task and Finish Group's intention to continue to call for greater flexibility for Member States.

Amendment 56 of the draft report suggests that in moving towards an area based system of direct payments Member States could take measures to ensure that in 2019 no farm's entitlements are reduced by more than 30 percent as compared to 2014. HCC is also concerned to avoid the instability that could be caused by a large redistribution of payments in Wales and welcomes the proposal in the draft report which suggests that in moving towards an area based system of direct payments Member States could take measures to ensure that in 2019 no farm's entitlements are reduced by more than 30 percent as compared to 2014. The rationale for supporting Amendment 56 is also to aid necessary long-term business planning, and facilitate the transition towards change; thereby limiting the overall impact on the profitability and viability of the Welsh red meat industry.

Entitlements

With a view to maximising sustainable red meat production in Wales, HCC is supportive of Amendments 50 and 51 of the draft report on widening the years within which a farmer is required to have activated an entitlement. HCC also supports the use of the national reserve for the purpose outlined by Amendment 59 to allocate entitlements to farmers who began their activity after 2011; and agrees that further safeguards are needed in the text to minimise the possibility of land banking. The land rental market is an important element of the stratified livestock production system in Wales. HCC favours safeguards that are aimed at ensuring that the EC proposals can be implemented in a way which enhances the number of hectares available for sustainable livestock production in Wales.

Greening

It is the view of HCC that incentives which lead to reducing the impact of farming on the environment by improving sustainability should be achieved, not through placing additional prescriptions on direct support, but through targeted rural development programmes. HCC encourages Welsh farmers to maximise sustainable livestock production whilst ensuring that the highest health and welfare standards are met. It is HCC's belief that any reform of the CAP should incorporate these values.

HCC is supportive of Amendment 69 of the draft report which suggests that where farmers in existing agri-environment schemes are undertaking measures which go beyond the greening requirements they should automatically receive the greening payments. HCC also supports Amendment 72 which allows the Commission to adopt delegated acts to further define the conditions in which organic farmers and those in agri-environment schemes can automatically qualify for payments.

As highlighted by the Task and Finish Group, it is also suggested that Member States are provided with further flexibility towards achieving sustainable food production in respect of aspects of crop rotation, permanent pasture and ecological focus areas.

Small Farmers Scheme

HCC is supportive of proposals which simplify the CAP for all farmers including those who wish to participate in the Small Farmers Scheme and thereby receive an annual payment fixed by the Member State. To ensure consistency of approach to all farmers it is also suggested that cross-compliance regulations be amended so that farmers participating in the small farmers' scheme are subject to cross-compliance.

Young Farmers

In respect of Amendments 86 and 87, the proposals which set out a priority approach for young farmers according to objective and non-discriminatory criteria are welcomed by HCC in terms of extending priority to include new entrants and those wishing to expand production.

Active Farmer

Amendment 29 removes the original requirement which would define an active farmer on the basis of agricultural income which HCC agrees would be overly complex. Amendment 32 would introduce a negative list of activities and businesses such as sport grounds and transport companies which would not be eligible to receive direct payments. With the continuing aim of maximising sustainable livestock production HCC supports the use of a negative list to define an Active Farmer.

For the same reason HCC is supportive of Amendment 31 which would also amend the definition of Active Farmer under Article 9 so that natural or legal persons who 'were not engaged in an agricultural production activity in 2011' could not receive single farm payment; although further clarifications is required on this definition in relation to new entrants.

Flexibility between Pillars

As a general principle HCC is supportive of a clear and distinct two pillar policy for the CAP with Pillar 1 clearly focussed on direct measures to support farmers to produce food and with environmental measures supported under Pillar 2.

HCC is opposed to the principle of moving funds between the CAP Pillars and that the two Pillars should be complementary as opposed to overlapping. However, it is acknowledged that a key concern for Wales will be to ensure that any such flexibility is voluntary and may be applied regionally rather than at the member state level. It is understood that these mechanisms are being proposed as a means for moving funds between the CAP Pillars are a replacement for the current modulation system. Modulation in Wales is used to fund RDP activity, primarily agri-environment schemes, as a direct response to the inequitable funding made available by the EC. HCC is therefore supportive of the Welsh Government stance that a key negotiating aim will be to secure for Wales (and the UK) an increased share of the EC funding provision for the successor RDP for Wales.

Draft Regulation on Rural Development

In the case of rural development, HCC considers that the importance of a strongly funded successor RDP for Wales 2014-2020 cannot be over-emphasised in supporting the continued development of a sustainable red meat supply chain in Wales.

Specific Measures

On the subject of payments to retiring farmers and the possible provision of funds to act as guarantees for land lease contracts for young farmers (Amendments 24, 27 and 28); HCC favours such opportunities subject to safeguards being in place which ensure that the EC proposals can be implemented in a way which enhances the number of hectares available for sustainable livestock production in Wales.

Agri-Environment Climate

Amendments 41 and 42 of the draft report seek to ensure that in the event of an amendment to Pillar 1, which would enable farmers in existing agri-environment schemes to automatically receive greening payments, there would be no double funding between the pillars. The amendments would require all agri-environment schemes to go beyond the minimum greening requirements.

HCC acknowledges the Task and Finish Group viewpoint which sees these as logical amendments given its position on the greening of direct payments and is therefore minded to support them.

Amendment 68 of the draft report would require that Member States spend at least 30 percent of their rural development funds on agri-environment-climate schemes.

HCC suggests that sufficient funding opportunities and prioritization will need to be made available in the next RDP to assist the red meat industry in increasing sustainable food production; adapting to environmental change; and in mitigating the impact of the move from the historic SPS to area-based payments under the Pillar 1 reforms referred to earlier.

Areas of Natural Constraint

HCC recognises the importance of Amendment 46 of the draft report in terms of allowing the Commission additional time to consider and present (by 31 December 2015) a legislative proposal for mandatory criteria to define areas of natural constraint.

Draft Regulation on Financing, Management and Monitoring of the CAP

HCC is supportive of Amendment 58 in the draft report on this Regulation which would require Member States to ensure that any management or control systems established are 'proportionate and risk-based'. HCC also supports Amendment 62 which would require Member States to focus their on-the-spot checks in areas where risk or error is highest, to ensure that checks are proportionate to the sums of money involved and consider the outcome of earlier audits.

HCC considers Amendments 85, 86 and 94 as logical and appropriate in terms of requiring that cross-compliance penalties were applied (including warning notifications) only where the issue of non-compliance was unequivocally attributed to the beneficiary concerned.

Electronic Identification of Animals

HCC welcomes Amendment 87 of the draft Regulation which would prevent beneficiaries from being penalised in relation to Statutory Management Requirement 7 on the identification of bovine animals and Statutory Management Requirement 8 on the identification of ovine and caprine animals, where the failure to comply is as a result of a technical faults with the identification and registration system.

Water Framework Directive and Pesticides Directive

Article 91 of the draft Regulation put forward by the Commission would allow for compliance with the requirements of the Pesticides Directive and Water Framework Directive to become cross compliance requirements once all Member States have adopted the Directives. Given the importance which HCC attaches to the need for livestock production in Wales to be sustainable in respect of environmental as well as economic and social considerations HCC is not supportive of Amendment 88 and 89 of the Draft Requirement which would remove this part of Article 91.

Good Agricultural and Environmental Condition

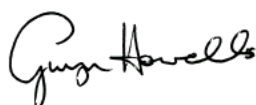
HCC is supportive of Amendment 102 of the draft Regulation which would amend Good Agricultural and Environmental Condition (GAEC) 8 on maintaining landscape to remove the reference made in the Commission's proposals to measures for avoiding invasive alien species and pests. HCC concurs with the view that while preventing invasive alien species should be eligible for support under the rural development measures the well planned and multi-annual approach that is required to address these species would be very costly to individual farmers.

In conclusion and in respect of the aims of this reform of the CAP, HCC considers the CAP direct payments to farmers and the wider economic and environmental support under the RDP for Wales play a key role in maintaining the viability of Welsh farming and the socio- economic, environmental and cultural cohesion of rural Wales.

HCC considers that the CAP should be simple to operate and implement, market oriented, provide encouragement towards sustainably increasing competitiveness and productivity; and should work towards a consistent approach across the European Union.

We hope that these comments are useful in your deliberations and would appreciate being kept informed of and engaged in future developments in this important area.

Yours sincerely



Gwyn Howells
Chief Executive