

Further consultation on European Parliament reports – July 2012 to October 2012
CAP2 4 – NFU Cymru

Environment and Sustainability

CAP Task and Finish Group Questions 24th July 2012

Introduction

NFU Cymru welcomes the opportunity to provide additional feedback to the CAP Task and Finish Group following on from the publication of a number of draft reports published by rapporteurs from the European Parliament's agriculture committee in May 2012.

The draft reports propose significant amendments to the commission proposals of the 12th October 2011 and we are pleased that a number of the concerns of NFU Cymru are included within the draft reports. Whilst this is pleasing, we must continue with our lobbying efforts to ensure that amendments that benefit Welsh agriculture are not lost at any stage of the negotiations leading up to the final deal.

MEPs have tabled almost 7500 amendments to the 4 main CAP reform proposals, NFU Cymru working closely with the other UK NFU's and our dedicated office in Brussels have ensured that amendments key to the interests of Welsh farmers have been tabled by MEP's.

We must remember that there is still a long way to go before final decisions are made, with co-decision being used for the first time in the CAP agreement process there remains much discussion and debate to take place between the Commission, Council and Parliament and no final decision on CAP policy will be made until first a deal is done on the EU budget 2014-2020.

It is pleasing to note that in general NFU Cymru, the Task and Finish Group and the Welsh Government have broadly shared the same issues and concerns over the current CAP proposals, in particular with regards to the direct payment proposals. We feel it is important that we continue to work together to lobby and influence on these key issues to ensure that we can secure the best possible deal for Wales from this reform process. We therefore welcome the opportunity to comment on the issues that the task and finish group have asked for views upon in the communication dated 24th July 2012.

Briefly we will now provide comments on the issues raised within the letter.

Draft Report on a regulation establishing rules for direct payments

Distribution of Direct Payments

The flexibility foreseen by the rapporteur to give member states and regional administrations greater flexibility in the move to an "area based" payment system is to be welcomed, but we agree with the comments of the Group that the specific amendments do not go far enough.

Given that as currently proposed 30% of the budget allocated to greening will need to be paid on a 'flat rate' basis on day one alongside the fact that Welsh Government will need to make provision for a number of other compulsory and voluntary additional payments (Small Farmers, ANC, Coupled, Young farmers and National Reserve), farmers already face significant payment redistribution in year one of the new scheme before even considering what percentage of the basic payment should be paid on a 'regional' basis in the first year of implementation.

Whilst the rapporteurs proposals to reduce the initial amount of basic payment to be distributed on a regional basis down from 40% to 20% is to be welcomed as a step in a right direction we believe that the member state / regional administration should be given the **complete flexibility** to decide the rate of change from an historic to area based payment system. We therefore fully support the Task and Finish Groups position to call for greater flexibility.

With regards to the process and timeline for moving from an historic to area based payment system NFU Cymru has been extremely concerned with regards to the commission proposal to move to a uniform unit value in a region by 2019. It is our contention that many businesses will not be able to adapt to this speed of change given the long term nature of production cycles and farm management decisions. Whilst the rapporteur has in part acknowledged this concern by proposing that Member states could take measures to ensure that in 2019 no farm's entitlements are reduced by more than 30% as compared to 2014, our priority is for a longer transition period and for proposals that state a definite time period for the transition to take place rather than set a date in time by which the transition must take place. Our favoured position would be for the commission text to be amended to state that *all payment entitlements in a Member state or, in case of application in Article 20, in a region, shall have a unit uniform value within 10 years of year of implementation of this regulation (Amendment 1099).*

Entitlements

NFU Cymru does support the proposals to widen the years in which a farmer is required to have activated an entitlement. We believe the use of this mechanism should be optional for member states / devolved administrations. In the course of our meetings and discussions with members we have come across a number of bona fide force majeure and exceptional circumstances where a farmer was unable to activate entitlements in 2011 but had done so in preceding years.

National Reserve

We support the expansion of the National Reserve to cover new entrants that commenced agricultural activity from 2011 as proposed by the rapporteur, but feel that there should be scope to cover new entrants who commenced their businesses within the preceding 5 years of time of application but did not fulfil the 'right' to receive entitlement (golden ticket) rule outlined in Article 21.2.

Land Banking

The proposals will not prevent all cases of land banking. In terms of our engagement with members concerns have been raised about the potential for landlords to take back land currently on short term tenancies / agreements but there has also been an acceptance that any other system (that may or may not include entitlements) or proposed reference date would not be without its downsides. What ultimately turns out to be the definition of 'active farmer' will also have an impact on how much 'land banking' will potentially occur.

Greening

As the task and finish group is aware NFU Cymru fully share the concerns of the Group with regards to greening. We believe that the proposals compromise two of our key principles for CAP reform, namely those of simplicity and competitiveness and in addition confuse the role of pillar 1 and pillar 2 payments.

Notwithstanding our opposition to greening NFU Cymru has consistently advocated and supported the view that agri-environment scheme holders should automatically qualify for a greening payment as is proposed for organic farmers. We would therefore support amendment 69 but would also request further clarity on how this would work in practice as the issue of double funding could come

into play and this could have significant implications for Glastir in terms of current prescriptions and payment rates.

NFU Cymru supports the view of the Task and Finish Group that it should continue to push for a wider menu of greening options to be contained in the final regulation. Some of the changes proposed within the draft report and amendments that have been submitted by MEPs have particular merit, these include:-

- Crop Diversification should be deleted, or amended to require two crops to be grown where the arable area of the holding exceeds the average size of agricultural holdings as set out in Annex VI of the Commission's proposal (i.e. 54ha in the UK).
- Ecological Focus Areas: the 7% area should be reduced significantly and should include areas of the holding which are currently deemed ineligible, but are identifiable and contribute to the delivery of environmental or climate benefits. A farmer's compliance with the EFA condition should be via self-declaration and record keeping on farm which can be verified at inspection and not through having to record in detail all EFA areas on the single application form through separate data entries.
- NFU Cymru would prefer that the current rules on permanent pasture at a member state / regional administration level remained in place, we see no reason why restrictions should be brought down to a farm level. If the measure is to be applied at a farm level, then we would support amendments which meant that farmers were required to identify semi natural and uncultivated areas and retain these as such post 2014. It is essential that farmers can continue to improve their permanent pasture by ploughing and reseeded when appropriate.
- In terms of further greening measures we see a number of 'win/wins' that should be added to the list of measures e.g:-
 - Undertaking a soil management plan
 - An on farm nutrient management plan
 - An energy efficiency plan
 - Minimum tillage / direct drilling measures
 - An on farm water management improvement plan

The possible introduction of greening into pillar one places a significant additional burden on farmers and administrators of the direct payments regime. If greening is to be introduced then we feel that there is a case for introducing a transition regime for the greening payment i.e. that the payment per hectare increases over time up to a set rate. Given the complexity of some of the measures to implement e.g. EFA it will also be extremely challenging to introduce all the measures in the first year of implementation of the new regime, there is a strong argument for introducing the greening measures over a set time period rather than all measures on day one of the new regime.

We have always argued that the greening allocation set at 30% of the annual national ceiling is too high, we are pleased that the latest revised version of the 'negotiating box' on the Multi-annual Framework (MFF) provides for the option of a lower allocation under the 1st Pillar.

Small Farmers Scheme

NFU Cymru supports the rapporteurs amendment to make the small farmers scheme voluntary, whilst we don't feel the scheme is appropriate for Wales we accept that in some member states / regions of Europe small farmers constitute a significant element of the structure and output of their agriculture and this scheme would result in some genuine simplification for those countries / regions. Amendment 104 increases the scope of the payment to 1500 euros which we would not fully agree with but what is critical for us is the voluntary rather than mandatory nature of the scheme.

Young Farmers Scheme

NFU Cymru would not support widening the scope for all new entrants to farming to be able to access the aid for young farmers (Article 36) envisaged by the commission proposals under pillar 1 of the CAP. NFU Cymru welcomes the progress made so far with supporting young farmers through the YESS scheme delivered under pillar 2 of the CAP. We believe that pillar 2 offers greater scope and opportunity to support young farmers, we therefore feel that there may be some merit in making the young farmers scheme under the direct payments regulation voluntary rather than compulsory (Amendment 334). Without prejudice to our previous comments we would support the amendments 86 and 87 within the draft report.

Active Farmer

NFU Cymru, in principle, welcomes the intention to confine direct payments to 'active farmers', direct payments must support food production and therefore it is important to achieve this aim and to justify CAP support to the general public that payment must be targeted at those who carry out the activity. Whilst supporting the general provision in principle it is important that the definition does not become over bureaucratic or burdensome for farmers having to prove activity and for paying agencies in validation and verifying activity.

We welcome the rapporteurs amendment to remove the 'economic activity' test from the proposals (amendment 29) because we believe that this proposal would be overly complex. We support the principle within amendment 32 to create a negative list of entities but remain concerned that this focuses attention on the 'claimant' as opposed to the 'activity'. Our preferred approach would be to define a list of activities that cannot be carried out on land which is eligible for payments.

While we can see the motive for amendment 31 we would agree with the view of the Task and Finish Group that the amendment lacks clarity with how this would be defined in relation to new entrants, therefore we cannot support this amendment in its current format.

Flexibility between Pillars

NFU Cymru does not support the use of Article 14 flexibility. We are concerned that this flexibility has the ability to create significant distortion between member states / regions just as is currently the case with regards to voluntary modulation. Ideally we would like to see this flexibility removed from the legislative texts. It is our contention that the UK and thus Wales should receive a fairer allocation of the EU RDP budget. Without prejudice to these comments if flexibility is maintained it is important that Welsh Government has the ability to decide on this text and not the member state as the commission proposals suggest. We would also contend that if this flexibility is retained and used the member state / region would be required to match fund any resource moved from Pillar 1 into Pillar 2.

Given that average single farm payment rates in Wales are already below the EU average any further transfer of funds from pillar 1 to pillar 2 will only further affect our competitiveness vis a vis other European countries.

Without prejudice to the comments above and given the undoubted impact on Welsh agriculture that the move from historic to a regional based payment will have there is a strong argument for 'reverse modulation' i.e. the movement of 5% of the pillar 2 budget into pillar 1.

Draft Regulation on Rural Development

Objectives and priorities of Rural Development

Amendment 9 of the draft report would add the competitiveness of forestry as an objective. NFU Cymru recognises that farm woodland does offer opportunities for farmers to develop alternative income streams; provided additional budget was obtained from the EU allocation we could see some merit in this type of objective. However without a fairer allocation of EU RDP funds to Wales we do have concerns that limited funds may be spread across too many objectives, which could lead to a lowering of the effectiveness in key priority areas of the fund.

Specific measures

Amendment 24 and 27 (introducing a retirement scheme). The inclusion of this measure would be at the discretion of the member state / region. It could potentially be used to help make the industry more competitive and to help with succession into the industry, it could therefore be a useful tool in the armoury. From an NFU Cymru perspective it is doubtful that we would look to prioritise this measure as part of future RDP programmes, our focus would be on targeting resource through programmes directly targeting young farmers through continuation and development of the YESS scheme.

The ability to access capital is a major issue for young farmers looking to start up in the industry any measures that make it easier for young farmers to get a start in agriculture are to be welcomed, amendment 28 which introduces the opportunity for member states to act as guarantees for land lease contracts may be an amendment that could have some value for Wales.

Agri – environment Climate

We would agree that amendments need to be made to the regulation in the event that participation in an agri environment scheme allows a farmer to automatically receive the greening payment to ensure that there is no double funding between pillars. However this does highlight again that the introduction of greening does pose a number of challenges for both government and industry in operating current agri-environment schemes alongside greening measures and highlights the complexity of delivering what we believe to be pillar 2 measures within pillar 1.

In Wales approximately 80% of RDP resource is currently spent on axis 2 measures (Agri – environment and LFA support), this support has proved vital to the economic, environmental and social sustainability of rural areas of Wales and we believe important that this level of support is maintained to continue to deliver on these objectives.

Our concerns over a number of ‘domestic’ issues with regards to the Wales RDP and the introduction of Glastir alongside the demise of Tir Mynydd are well documented and need not be repeated within this briefing. We do believe that the priority themes identified within the draft regulations provide sufficient breadth and flexibility for Wales’ next RDP, what is important is that the next Wales RDP is then tailored to address the specific needs of the economy of rural Wales. We would hope that this is an issue that the Task and Finish Group will scrutinise and consider in due course.

Areas of Natural Constraint

Whilst we take note that the rapporteur’s position to delay the exercise, we must also be mindful that the majority of member states are satisfied that the exercise should proceed in 2014. If this were to be the case then concerns regarding the scale of mapping and thresholds must be addressed.

Allocation Key

There is an urgent need to address the fact that the UK (thus Wales) receives the lowest level of EU RDP support per hectare across Europe. NFU Cymru believes that EAFRD money should be allocated to member states on the basis of objective criteria and that if past performance is to be

taken into consideration, it should be on the basis of past expenditure and not past allocation of EAFRD funds. This would mean that the UK (and thus Wales) is allocated an amount from the European envelope that recognises that 'voluntary' modulation has been used in the past to increase the amount of funds available for the Wales RDP.

Draft Regulation on financing, management and monitoring of the Common Agricultural Policy

Once the budget and policy of the CAP post 2014 has been agreed the control and management of the policy will no doubt be drawn into sharp focus. NFU Cymru believe that the current system is unacceptable in that it penalises farmers heavily for minor breaches of procedure and administrators live in fear of audit, disallowance and infraction procedures. We believe that the current reform process offers an opportunity to deliver a more transparent, less complicated and more proportional approach to penalties. We were disappointed that this simplification was not addressed in the commission proposals but we welcome a number of the amendments put forward by the rapporteur Mr Giovanni La Via in his draft report.

We would support a more proportionate and risk based management and control system and we believe that this fits in with the work in Wales under the Working Smarter programme and the moves towards sharing of information between regulatory bodies / voluntary/ assurance schemes and applying the principle of earned recognition (AM 58, 62, 63)

We support the principle that a penalty is only applied if non-compliance is the result of an act or omission directly and unequivocally attributable to the beneficiary concerned (AM 85 and 87)

We support the principle of a warning system whereby beneficiaries concerned receive an initial letter of warning to allow them to remedy an irregularity before any administrative penalty is imposed. We understand that this would only apply in cases of first non-compliance that are not considered to be severe (AM 86).

NFU Cymru has long argued that farmers should not be penalised for technological failures with the introduction of EID and individual recording with regards to Sheep. We fully support Amendment 87 that recognises this within bovine, ovine and caprine animals. It is extremely important that this amendment is accepted.

We are pleased that the draft reports also remove the water framework directive and the sustainable use of pesticides directive from the list of cross compliance measures. However we do believe that there is scope to further streamline cross compliance measures and we have concerns at proposals to introduce the protection of carbon rich soils, with a ban on 1st ploughing which could seriously limit opportunities for livestock and dairy farmers in Wales.

In terms of other issues addressed by the rapporteur we are pleased that the report recognises that penalties for non-compliance for greening measures should not extend beyond the greening payment (AM 73).

We also support the amendment 79 that provides the opportunity for aid applications or payment claims to be valid for a number of years, provided that any changes are reported. The beneficiary would still have to submit an annual statement of participation. We would estimate that there are many thousands of SAF claimants who submit the same aid application year in year out and the possibility of a simplified application process for these claimants would be welcomed.

The draft report has not addressed concerns that we have with regards to the exchange rate mechanism. NFU Cymru believes that the exchange rate calculation should be based on the average

of a set period, rather than based on one day, thereby reducing the inherent risk associated with the current system.

Conclusion

NFU Cymru thanks the Task and Finish Group for its work so far with regards to CAP and the engagement that the Group has with the industry and we look forward to continued dialogue with the group as discussions on the budget and policy intensify in the Parliament, Council and Commission.

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