

## **Deputy Minister for Farming and Food**

### **Environment and Sustainability Committee**

**Wednesday 4 March 2015**

1. This paper responds to the issues set out by the Committee in their email of 21 January. I note that the Committee has asked the Minister for Natural Resources for a detailed breakdown of the outcome of the two Supplementary Budgets 2014-15. His response covers all aspects of the portfolio, including farming and food.

### **Common Agricultural Policy**

2. I was pleased to meet with the Committee on 11 February to discuss the legal challenge to the Basic Payment Scheme regions. Our planning and preparation to implement payments have been set back by the legal challenge late last year. Ultimately the Welsh Government is committed to making payments as soon as it can in the payment window.
3. As I have confirmed, the arrangements for the Basic Payment Scheme in 2015 are dependent on the payment options chosen. Work has begun on alternative options and these are being considered. Taking into account all the factors, we currently estimate that we will be able to commence a consultation in March. When I have considered the responses I will be able to take an informed decision. This will then need to be considered by the European Commission (EC) and it is only when I have its approval that I will be able to communicate formally how land will be classified. At best that is likely to be during June.
4. Throughout the last few months I have ensured that the National Assembly, farmers, industry stakeholders and the public are kept up to date with developments.
5. In terms of the Rural Development Programme for Wales 2014-2020 (RDP), this will be the largest and most ambitious programme in Wales' history, and will help support rural businesses and communities, and a thriving natural environment. We submitted the programme to the EC in July 2014. Since November we have been in discussion with the EC on its formal feedback.
6. The EC services' workload has been immense and at December's Agriculture Council Commissioner Hogan explained that only 9 of 118 operational programmes had been adopted so far, with another 20 scheduled to be "ready for adoption" in early 2015.
7. Welsh Government officials have been engaged closely with EC officials in a constructive dialogue, and we have been given to understand that they are content with the scope, approach and ambition of our RDP. The areas still under discussion are not fundamental and we believe that our RDP is one of those at an advanced stage. We hope to receive informal approval for the Programme during February / March, although for EC budgetary reasons it is likely that the formal acceptance will only be received in the summer, when the EU Multi Annual Financial Framework has been accepted.
8. We have been planning towards the delivery of the constituent parts of the RDP in parallel with our negotiation work with the EC. It is my aim to introduce schemes as early as possible, and I am optimistic that we will be able to launch following receipt of informal approval.

9. The land-related agri-environment Glastir interventions will operate application windows year-on-year. The Glastir Advanced and Glastir Organic schemes have already been opened to expressions of interest, with a view to payments in 2016 and 2017.
10. Public procurement is mandatory under European Regulations for certain programme elements. In our RDP they are Farming Connect, the Farm Advisory Service and Rural Business Advisory Scheme. In the current programme Farming Connect will continue with one to one advice and training until 31st March 2015 and the main knowledge transfer programme has been extended until 30th June 2015. We expect the new contracts to begin in July 2015, at which time a new programme of courses etc. will be open for beneficiaries to apply for. The intention is to minimise any gap in service provision after the 30th June 2015.
11. LEADER will be delivered by Local Action Groups (LAG). I am pleased to report that LAGs and their Local Development Strategies are being assessed with a view to making approvals during February 2015.
12. The remainder of the RDP will be delivered through socio-economic grant programmes. These will be handled through a series of calls for proposals where the eligibility and selection criteria are publicised in advance and clearly identified closing dates are set. Calls will be opened throughout the programme and will be advertised to ensure beneficiaries are aware what window is open, the amount of budget available and when the next window will be opening. This will provide a calendar of calls so potential beneficiaries can plan ahead and have their Expressions of Interest ready. Expressions of interest that meet the criteria will then be worked up into full applications, which will allow and the project to go ahead.
13. I will continue to ensure that the National Assembly is regularly updated as matters progress, and will provide further details in due course on the expected timetable for beneficiaries to apply for support.

### **Next Generation of Farming**

14. Over recent decades agriculture has undergone major restructuring, with a drive for increased competitiveness which has resulted in holdings increasing in size and specialising. As a result entry in to the industry has become impeded and there is a need to identify ways in which mobility in the industry can be achieved.
15. I commissioned the Malcolm Thomas Next Generation into Farming Report to set out a strategic way forward for the future of the industry and to inform the development of the RDP.
16. I released the report and the Welsh Government response in October 2014. The report makes a number of key recommendations to encourage mobility and increase skills within the farming industry.
17. To achieve mobility within the industry, it is vitally important that our policies support both exit and entry in equal measures. To enable exit from the industry, evidence suggests that red tape, legislation and taxation were barriers. The issue of taxation and tenancy law was mirrored in Defra's Future of Farming Review undertaken by David Fursden. To address this, the Welsh Government will seek to influence HM Treasury to look at whether the current taxation system hinders mobility in the industry.

18. The major limiting factors to entry into the industry are availability of land and access to capital. Malcolm Thomas' report highlights the need for government and industry to work together to investigate opportunities to support new entrants. I have seen at first hand different models of joint ventures. There are some excellent examples of how young people can enter the industry without the huge capital outlay associated with purchasing land.
19. The Deputy Minister for Skills and I have published an action plan on the provision of learning delivered by further education colleges - and the relevance of that to farm businesses. We need to continue to develop and retain skills within the sector to ensure the future success of our agriculture industry.
20. We are also currently working with the industry through the Young Entrants Support Scheme (YESS) Stakeholder Group, which is made up of representatives from across the industry including farming unions, Wales YFC and farming charities. We want to scope out new ways to support young and new entrants, including support that we can implement through the RDP.

### **Dairy farming**

21. I will continue to stand up for our important dairy sector and the importance of helping Welsh farmers to take advantage of export opportunities. I attended the EU Agriculture and Fisheries Council in Brussels on 26 January as part of the UK Ministerial Delegation. I was pleased that during Council I secured a specific mention of the fragility of some of our Welsh dairy farms.
22. The dairy industry is going through a period of change with difficult market conditions caused by the effect of global markets. With milk production continuing to outperform last year's levels, there will be a need to develop new markets for cheese and butter stocks or to divert milk supplies into other dairy products. However, the long term international prospects for dairy farming are positive, as agreed by the European Commission.
23. Significant coverage has also been given to the recent First Milk payment delays. As soon I heard about the decision I requested to meet with the Chairman, Sir Jim Paice, to get a better understanding of how that difficult situation had arisen. I wanted to satisfy myself that First Milk was doing everything possible to put itself back on a sound footing. First Milk has since made a commitment that it will not be dropping the price it pays farmers in March. I have arranged for Farming Connect, our support and advice service for Welsh farmers, to work closely with DairyCo in Wales to provide a complimentary package of support during this critical period.
24. My review of the dairy sector, which is being led by Andy Richardson, is therefore timely. I expect it to conclude by the end of February. The review will draw on the work already undertaken by the Dairy Task Force but will look wider, taking views from all elements of the Welsh supply chain.
25. It will consider how government and industry can work together to support the sector in Wales and will look at what support the RDP may provide to dairy farmers and the milk processing sector in Wales. The review will address the specific issues that relate to milk price volatility and consider whether there are mechanisms (legal and voluntary) that could give a more stable farm gate milk price.

26. To that end, I have recently met with and written to the Parliamentary Under Secretary of State for Farming, Food and Marine Environment, George Eustice MP, in support of the Groceries Code Adjudicator (GCA). I am concerned at the reluctance by the industry to formally report any breaches of the Groceries Supply Code of Practice (GSCoP) to the GCA and I will continue to urge the industry to come forward so that formal investigations can be launched. I want to see the best possible arrangements for the operation of the supply chain in Wales and ensure that primary producers are protected and to ensure fairness in the business supply chain.
27. I am therefore pleased that measures have recently been laid in Parliament that will grant the Groceries Code Adjudicator powers to fine UK supermarkets for breaching the GSCoP. This is one power that the Welsh Government has pressed for from the outset. The recent issues in the dairy industry have highlighted the need to ensure that the market is monitored and supported correctly.

### **Organic farming**

28. The Welsh Government is committed to supporting the organic sector in Wales. It plays an important role in the Welsh agricultural industry as it can add value to our products, while organic practices are based on principles of greater environmental sustainability.
29. Glastir Organic is the first support package under the new RDP. The Welsh Government has been leading the way in supporting the organic sector in the UK. We were the first to offer an extension to bridge support from the previous RDP and we are now the first to commit to providing support in 2015.
30. Glastir Organic will provide organic farmers and producers with financial support in recognition of the environmental service they provide to Wales. Organic farming systems work with nature to maintain soil fertility and to manage pests and diseases. This protects our rivers, wildlife and pollinators. Support will be made available both to existing organic producers to carry on farming organically and to those converting land from conventional farming practices to organic. Glastir Organic opened for on-line applications on 1 October and closed on 29 October 2014, resulting in 467 Glastir Organic agreements.
31. The new scheme demonstrates our commitment to organic farmers and producers, providing the organic sector in Wales the confidence to continue to farm organically and to entice conventional farmers to convert to organic farming.

### **Genetically-modified Organisms (GMOs)**

32. I have clearly stated our GM policy. We maintain a restrictive and precautionary approach to GM crop cultivation.
33. The Committee will be aware of the recent vote by the European Union to allow Member States and Regions to make national decisions on whether they wish to ban or cultivate GM crops in their territories. This means the Welsh Government would be able to demand that GM use would be limited to exclude Wales, thus allowing us to control the future cultivation of GM crops in Wales.

34. We would also have further options to restrict or prohibit the cultivation, including such things as environmental or agriculture policy, socio-economic impacts, public policy or the avoidance of GM contamination to other products. We have campaigned for several years to have socio-economic issues included as important factors in the consideration of GM crop approvals and I am pleased that these are now formally recognised. This development will help us to deliver our policy.
35. I have recently issued a Written Statement which includes more detail on the EC decision and its implications for Wales.

### **Animal Health and Welfare**

36. The level of spend by the Office of the Chief Veterinary Officer to the end of December 2014 associated with implementing animal welfare policy and legislation in 2014/15 is £214,422. Estimated outturn to the end of 2014/15 is £297,899.
37. Last July I was pleased to launch the Wales Animal Health Framework. The broad vision of the Framework is to work in collaboration with industry partners so that we can continue to raise standards of animal health and welfare and demonstrate progress. The Framework Group that includes six publically appointed members who are in the process of setting out the key priorities and themes to focus on over the coming years. These will be set out in a series of annual implementation plans, the first of which will be published next summer.
38. To deliver our policies effectively it is critical we consider our future veterinary needs and supporting infrastructure. This must be aligned to Wales' needs and should build upon the growing partnership between Government and the private sector. I welcome the news that two contracts have been awarded for TB testing and other veterinary services in Wales to Welsh veterinary practices. From April, all new TB testing and other Official Veterinarian work in Wales will be undertaken by two regional suppliers, Menter a Busnes in North Wales and Iechyd Da (Gwledig) Ltd in the south.
39. These will be responsible for allocating vets and ensuring testing is carried out to the required standard. This is good news for Wales and particularly for those successful Welsh veterinary service providers which will form an important foundation stone for the TB Eradication Programme. These contracts will also augment veterinary capability and capacity which is essential to deal with any future exotic animal disease outbreak, while maintaining value for money.
40. Surveillance is vital, as illustrated following the two avian influenza outbreaks in England. Welsh Government officials are working closely with Defra and the Animal and Plant Health Agency (APHA), and are fully engaged in the contingency planning arrangements. Government has a good track record of controlling and eliminating avian disease outbreaks in the UK and we have the necessary plans in place to deal with a similar event, should one occur in Wales.
41. As part of our work to review the APHA Surveillance 2014 project, Carmarthen Veterinary Investigation Centre is being developed as a centre of expertise for Extensively Farmed Livestock. In addition a carcass collection service will be put in place to serve Wales, subsidised by APHA for 3 years. Iechyd Da intends to develop the Aberystwyth VI Centre for post mortem examination and lab testing services to local veterinary practices.

42. We continue to take forward our work on the TB Eradication Plan across Wales. There are many elements to our approach which include annual testing, initiatives such as Cymorth TB and the work in the IAA including the badger vaccination project where we have just completed our third year of vaccinating and are now preparing for year four. Underpinning this is the TB epidemiology work being undertaken which helps us to improve our understanding of the disease picture across Wales. We are encouraged by recent statistics which indicate that the TB Eradication Programme is making a difference.
43. The level of spend to end of January in relation to the TB Eradication Programme in 2014/15 is £3,686,112. Estimated outturn to end of 2014/15 is estimated at £5.1m
44. Promoting high standards of animal welfare is a key consideration for all kept animals. Our priorities in this area are presently directed towards maintaining and improving livestock and complying with European rules in line with our stewardship and responsibility for animals. Amongst other things this includes areas such as the welfare of animals at the time of slaughter, whilst for companion animal efforts are being directed towards a policy of responsible ownership. Nearly half of all households in Wales – 43% - have a pet, with one or more dogs being the most common.

### **Farming strategy**

45. I am keen to develop an agriculture strategy that clearly sets out how we will build a confident, resilient and profitable Welsh agriculture industry that protects and enhances our natural resources, achieves sustainable growth, and supports vibrant rural communities.
46. The strategy will be vital in developing a vision for agriculture in Wales. My officials are working with colleagues across the Welsh Government to ensure we develop an active and inclusive plan which will support the industry to manage our natural resources well, help farm businesses to build on their successes and support the rural economy, and to play an active role in ensuring animal health and high welfare standards.
47. A key factor in the success of this strategy will be buy-in across the sector and that is why we have included the industry's key stakeholders from the outset. We need an inclusive, progressive and sustainable vision that is challenging but which is set in such a way that the agriculture industry, government, delivery partners, stakeholders and individuals can get behind.
48. We will establish effective governance structures to support the strategy and we will also use existing delivery mechanisms to ensure that, wherever possible, we take an efficient and common sense approach. I expect to have detailed action plans to support and monitor how well we implement the strategy.

**Rebecca Evans AM**  
**Deputy Minister for Farming and Food**  
**February 2015**