

HYBU CIG CYMRU - MEAT PROMOTION WALES



Our ref: GH/SAJ/KS/Cons.

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Ms Naomi Stocks
Common Agriculture Policy Task and Finish Group Clerk
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

PO Box 176
Aberystwyth
SY23 2YA

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

E-mail: E&S.comm@wales.gov.uk

Dear Ms Stocks

Re: Inquiry into the proposed reforms to the Common Agriculture Policy

Thank you for the opportunity to respond to the above Common Agriculture Policy (CAP) inquiry.

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.

The total value of the red meat sector to the Welsh economy; taking into account the agricultural, processing and retail sectors; is estimated to be more than £1 billion per annum. Welsh livestock farmers also underpin the visitor economy, not least in managing the beautiful and valuable landscape of the country, with tourism supporting 172,000 jobs and contributing £6.2 billion in Gross Domestic Product.

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.

The draft proposals published by the European Commission (EC) on 12 October 2011 appear to indicate that from 2014, the historic payment model will gradually be replaced by an area based flat rate payment system whereby farmers are likely to receive the same payment rates per hectare. From the experience of farmers in England it is likely that regardless of the definition of these areas or regions an element of redistribution of funds is inevitable resulting in farms which will benefit and those that will lose out. HCC considers that economic modelling exercises need to be undertaken to inform decisions on the flat rate systems which will minimize disruption for the industry.

In the response to the EC in January 2011 on the Impact Assessment on the reform of the CAP towards 2020, HCC conveyed the view that any policy reform has food production and security as a main driver. HCC has previously welcomed the commitment by Ministers in Wales, Scotland and Northern Ireland which recognises the importance of the CAP to each country and which favours a fair and proportionate share of the budget, flexibility to respond to specific local needs, and a reduction in bureaucracy. HCC is also supportive of the past commitments by the devolved administrations Ministers towards 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 understands that the draft proposals published by the EC on 12 October 2011 do not appear to commit towards 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 considers that the importance of environmental, territorial cohesion, climate change, energy and global issues should not be overlooked, but with an ever-increasing EU and global population ensuring a plentiful supply of high quality food must be seen as a priority. The geography and climate of Wales is particularly suited to red meat production and as such HCC encourages Welsh farmers to maximise sustainable livestock production while 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. In reference to the proposed reforms, there is a need to ensure support payments seek to address the declining livestock numbers and that modulated elements of the CAP from each industry are used for the development and benefit of that industry. Despite the recent increase in market prices for livestock Welsh red meat producers have, over the longer term, faced a severe fall in profitability, which has left many farms struggling to achieve financial viability. Any changes in the Single Farm Payment and the CAP should therefore be introduced over a period of years in order to minimise disruption for the industry, 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.

HCC is therefore disappointed that the draft proposals published by the European Commission on 12 October 2011 do not appear to recognise the importance of a long and meaningful transition period to assist producers to adapt and adjust their businesses to the suggested changes.

The Welsh Government's 'Working Smarter' initiative aims to provide a measured and appropriate regulatory framework. It is understood that the Business, Enterprise, Technology and Science Department within the Welsh Government is working to transform regulatory enforcement and in doing so to enable business growth.

HCC is therefore 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.

Whilst Welsh red meat producers have adjusted well to past reforms of the CAP - seeking to demonstrate their high standards of environmental protection, food safety, and animal health and welfare - declining livestock numbers in Wales (and across the EU), partly as a result of the removal of a link between subsidies and production, is increasingly an issue of concern. Since 2004 the Welsh breeding ewe flock has reduced by 17 percent (to 4.1 million head) and the Welsh breeding beef herd - beef cattle aged 2 year and above - has reduced by 8 percent (to 242,000 head).¹

The number, and the average size, of flocks and herds in Wales have also decreased. In June 2004 there were 15,483 sheep and lamb holdings in Wales, with an average flock size of 629 head. By June 2010, these figures had decreased to 14,398 holdings with an average flock of 573.

The average size of the beef herd (females aged two years or more) in Wales has remained relatively constant in recent years, with 24 and 25 beasts being the average in June 2004 and June 2010 respectively. There has, however, been a significant fall in the number of beef cow holdings during the same period with 9,542 holdings registered in 2010, compared with 10,816 holdings in 2004. This suggests that, rather than decreasing the number in their herds, some beef farmers in Wales in the period concerned have decided to exit the sector.

As the Welsh red meat industry is an important primary production and processing industry in respect of the rural economy and plays a key role in the sustainable management of the landscape, these reductions in livestock numbers have wide reaching implications. In 2009 Welsh red meat production contributed 39 percent of the annual total value of Welsh agricultural output, worth £429 million; compared to 48 percent and £491 million in 2004.²

It is also simplistic to believe that falling livestock numbers in Wales could in any way be a positive for reducing climate change impacts. Increasing demand for quality red meat products, particularly from emerging countries, will be met by displaced, and possibly less sustainable, production while having an extremely adverse effect on the economy of Wales. HCC published a Welsh Red Meat Roadmap earlier in 2011 which seeks to set out how livestock farmers, processors and retailers in Wales can achieve new and agreed goals while adhering to the business model essentials of improving profitability and sustainability. The roadmap considers challenges such as the industry's approach to greenhouse gasses, carbon footprint, water quality and use, biodiversity, countryside management and carbon conservation and sequestration and their solutions. The roadmap cautions additional drivers are likely to impact on environmental policies including CAP reform.

The importance of the EC Rural Development Regulation and its implementation should not be underestimated. Farmers require support in responding to key challenges and opportunities including mitigating the impact of the industry on climate change and greenhouse gas emissions. The Rural Development Plan (RDP) for Wales 2007 – 2013 has

¹ **Source:** Welsh Assembly Government. July 2010 Survey of Agriculture.

² **Source:** Hybu Cig Cymru – Meat Promotion Wales (HCC). Little Book of Meat Facts: Compendium of Welsh Meat and Livestock Industry Statistics

enabled farmers to adapt to change, and to improve their sustainability and competitiveness. Through the RDP for Wales 2007-2013, HCC has been able to deliver technology transfer activities in the form of farm events, publications and web-based information. In addition, projects are undertaken to demonstrate new technologies and assist farmers in implementing new strategies. It is vital that in implementing any reform of the CAP, member states continue to have the framework and funding available to assist the agricultural industry and rural areas in adapting their businesses to effect positive change. 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.

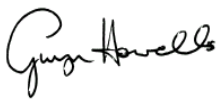
It is therefore considered important that the draft proposals published by the EC on 12 October 2011 take account of the farming systems in all member states and to allow these member state stakeholders the opportunity to amend and influence the further development of the final proposals. There is a need for the industry and the Welsh Government to work together to simplify the CAP and safeguard the agricultural industry in Wales and the livelihoods of those working within it. This requires a long-term adaptation of the existing CAP over a period of time which allows regions and member states to interpret the CAP in a flexible way and enables the red meat industry to evolve further and achieve transition for the benefit of all those involved. It is suggested that policy at an EU level should seek to assist and encourage the development of profitable, efficient, sustainable and innovative red meat businesses.

In summary, HCC considers that the key points are:

- Livestock farming is not only suited to the climate and geography of Wales, but it is the only economic activity in rural areas that can contribute to maintaining the attractive landscape, thereby support tourism.
- Food security remains a clear priority with the world population increasing exponentially.
- Over many years volatile market prices and increasing input costs have put severe pressure on profitability.
- Any transition to flat rate area payments should be phased in over a number of years to allow farmers to adjust their businesses accordingly
- There should be a clear separation of Pillar 1 and pillar 2 Measures.
- Sustainable agriculture promotes greater stability in the rural economy.

We hope that these comments are useful in your deliberations and would appreciate being kept informed of any further developments in this area. Please also note HCC's readiness to be represented at any oral evidence sessions.

Yours sincerely



Gwyn Howells
Chief Executive