

DG Agriculture
European Commission



30 January 2012

Common Agriculture Policy Task and Finish Group Inquiry into proposed reforms to the Common Agriculture Policy

I am writing to you to highlight some initial findings from the inquiry that we have been undertaking in the National Assembly for Wales on the future of the Common Agricultural Policy. This is based on evidence from a range of stakeholders in Wales, and also takes account of the evidence session we had with officials from DG Agriculture in November last year.

We have identified a number of areas where we would like to see changes made to the texts, as well as making some specific suggestions for amendments to the European Parliament (and Committee of the Regions) where we have an agreed view on the changes we would like to see to the wording of the draft regulations (these are set out in Annex 1 for ease of reference).

I trust that you will take these into consideration in your ongoing discussions with the Council of Ministers and the European Parliament on the draft legislative proposals. .

The views set out in this letter are those of members of a cross-party "Task and Finish Group", which has been established by the National Assembly for Wales' Environment and Sustainability Committee, to look at the CAP reform proposals and their potential impact on Wales.

These views are based on written and oral evidence received from a wide range of stakeholder groups in Wales, including farming organisations, environmental bodies and other groups, which we have gathered during the course of this inquiry since the proposals were published. Further information is available online at: [CAP Task and Finish Group](#).

In particular five priority areas have been identified in this first phase of work, which we believe would require changes to the text of the draft regulations:

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- Ensuring adequate and fair transitional arrangements are in place for countries move to area based payments under Pillar 1: we support increasing the proposed timeframe from five year to at least seven years; and providing Member States/Regions with the flexibility to decide the rate of transition;
- Ensuring that any greening proposals under Pillar 1 are suitably flexible to take into account individual Member State / Region's environmental and agricultural context;
- Ensuring a fair distribution of Rural Development funding under Pillar 2;
- Ensuring that the proposals for the Small Farmers Scheme are not detrimental to the environment or competition between farms by making the Scheme a voluntary option for Member States and ensuring that farmers entering this Scheme are subject to cross-compliance requirements and;
- Ensuring that all genuine new entrants to the farming industry are supported and encouraged by allowing for financial support under the Young Farmers Scheme to be provided to all new entrants and not only those under the age of 40.

In addition to our priority areas, we have comments and suggested amendments on other elements of the proposals including in relation to: active farming; flexibility between pillars; areas with natural constraints, minimum spend on agri-environment; simplification; and cross compliance.

These issues and the key areas for amendment set out above are addressed in more detail within the attached paper on our key findings.

We will continue to monitor progress of the proposals through the negotiation process, including the crucial discussions within the European Parliament. We hope to be able to discuss these issues with you (and any further points that arise in the meantime) when we visit Brussels at the end of March.

Yours sincerely



Vaughan Gething
Chair

Annex 1

Key Findings of the National Assembly for Wales Common Agriculture Policy Task and Finish Group

DIRECT PAYMENT REGULATION

CRITICAL AREAS OF CONCERN:

Basic payment scheme (Articles 18-22)

One of the critical issues for the Welsh agricultural sector is the transitional arrangement as Wales moves from historic to area based payments. There has been a very broad consensus from respondents about the need for changes to these. We share these concerns and see this as a matter of critical importance. It is one of the Group's key priorities in terms of seeking changes to the legislative proposals.

The concerns we have rest on two main issues; the timeframe for the transition and the transitional rate of change.

Additionally, we feel that a timeframe should be given rather than a specific date. This is because of serious concerns that delays in the final agreement of the legislative proposals could then reduce the time available for Member States and Regions to complete the transition.

In relation to the rate of change the Welsh Government has completed modelling which demonstrates that in the transition to area based payments only 17 per cent of farm business in Wales will stay within 10 per cent of their current payment. A transition rate of 40 per cent in the first year would therefore have significant redistributive effects on Welsh farming business. The scale of such a change in one year would create a great deal of instability and uncertainty in the industry.

Proposed amendments:

- Article 22.2 to be changed to give Member States and Regions the flexibility to decide upon the appropriate transitional rate of change, providing that this will enable them to meet the transition deadline.
- Article 22.5 should provide for a transitional period of seven years from the adoption of the legislative texts.

Entitlements (Articles 21-22)

We heard some compelling and interesting evidence about the impact of the proposals for the new allocation of entitlements. We have made recommendations to the Welsh Government that further modelling should be undertaken into different entitlement options with a view to this information being used to inform negotiations on the proposals.

Payment for agricultural practises beneficial for the climate and the environment ('Greening') Articles 29-33

In the evidence that we heard there was a clear divide between those who were supportive of greening in principle and those who were more sceptical. However, nearly all respondents were dissatisfied with the proposals as they have been drafted, and wish to see significant changes. This is a key priority for the Task & Finish Group.

We share the serious concerns of all respondents that the current proposals as drafted are unworkable. Key concerns relate to the level of prescription on;

- the definition of permanent pasture;
- crop rotation requirements; and
- the requirement for a 7% Ecological Focus Area (EFA).

We do not feel that they take into account fully the different environmental, climate and agricultural context of individual Member States and Regions.

The Welsh Government's statutory adviser on nature conservation, the Countryside Council for Wales, told us that the current requirements could lead to 'potential perverse effects' in Wales. This view is shared by a number of witnesses. For example, the definition of the Ecological Focus Area (EFA) wouldn't include some land in Wales which deliver significant environmental benefit, such as farm areas defined as non-productive land.

In light of the evidence we have heard, we feel that there is strong argument for the greening options to be broadened, with greater flexibility offered for individual farmers so that they are able to select greening which best suits their farm, and the environmental context in which they operate. It is therefore vital that Member States and Regions have sufficient flexibility to ensure that the greening requirements are appropriate for the specific environmental and agricultural needs of their area. Given that commonality across Member States is important within the Common Agricultural Policy we recommend that the European Commission should set an overarching framework of priorities within which Member States/Regions can set for farmers a menu of greening options of relevance to them.

The Welsh Government has indicated that they are minded to support the exemption of farmers who are in agri-environment schemes from greening requirements, in a similar manner to the exemption proposed for organic farmers. Although we are aware that this may pose some issues in terms of double funding we certainly feel that this is an option which deserves more detailed consideration and have urged the Welsh Government to pursue this in their discussions with the European Commission. To ensure that this would deliver the environmental benefits as required by the European Commission, we are proposing that any qualifying agri-environment scheme

must deliver a minimum level of environmental benefit as set out by the European Commission.

Proposed amendments:

- Inclusion of new article: Farmers who are in an agri-environment scheme should automatically qualify for greening payments where the agri-environment scheme delivers a minimum level of benefit approved by the European Commission.
- That Member States/Regions are given the flexibility to adopt a menu of greening which takes into account national and regional circumstances within the context of an overarching framework of priorities set by the European Commission.

OTHER AREAS OF CONCERN:

Active Farmer (Article 9)

The evidence that we considered was broadly supportive of the principle of targeting direct payments to those whose primary income was derived from agricultural activity. As a Group we support this principle. However, we heard significant concerns about the proposed definition, the level of bureaucracy attached and how it could potentially penalise farmers who have set out to diversify their business. The issue of penalising those who have diversified was of particular concern to the Royal Society for the Protection of Birds (RSPB) Cymru who felt this may have an undue impact on those farmers who have diversified successfully using Rural Development funding to deliver environmental projects.

Following the evidence we heard, it became clear to us that Member States and Regions need the flexibility to define agricultural activity which takes into account national and regional circumstances. This definition should then be subject to the approval of the European Commission.

We recommend that Member States and Regions should have the flexibility to decide upon a definition of active farmer most applicable to their local needs. To ensure a level of commonality across the EU27 national and regional definitions would be subject to the approval of the European Commission.

Flexibility between pillars (Article 14)

We heard diverging views about the option for Member States to transfer money from Pillar 1 to Pillar 2, and for eligible Member States, including the UK, to transfer money from Pillar 2 to Pillar 1.

We feel that it is of critical importance that the power to transfer funds between pillars should be available to Regions, as well as Member States. We feel that the proposals must make it clear that this flexibility is available to Regions. We note that the ability to transfer funds between Pillar 1 to Pillar 2

has been a vital tool for the UK and Welsh Governments to ensure sufficient rural development funding, because of historically low allocations for Rural Development Funding (which we will return to later).

Almost all the evidence we heard stated the flexibility to transfer monies should remain a voluntary option. We share that view.

Payment for areas with natural constraints (Article 34-35) / Voluntary Coupled Support (Articles 38-39)

We support the continued inclusion of these, as voluntary options for Member States and Regions. We heard evidence that stated these could prove to be valuable tools to help mitigate against the impact of transition to area based payments.

Payment for Young Farmers (Articles 36-37)

We support the principle of helping and supporting young entrants into the agricultural sector. However we are concerned that the scheme as currently set out could disadvantage genuine new entrants over the age of 40. We feel that the focus should be on supporting all new entrants regardless of age. We are therefore proposing that Article 36.2 (b) is removed; this would also have the advantage of extending the support in obtaining entitlements to all new entrants and not just those under 40.

Proposed amendment:

- Removal of 36.2 (b)

Small Farmers Scheme (Articles 47, 48, 49 & 51)

Both environmental and agricultural groups expressed concerns about the small farmers scheme for two primary reasons; exemption of application of the active farmer definition and exemption from cross-compliance requirements.

We heard significant concerns that those claiming under the scheme would not be subject to cross-compliance particularly as there is no threshold for the size of farms that can apply. The farming unions told us that this would penalise larger farms. While environmental groups focused on the environmental impact of smaller farms, citing the example of the foot and mouth outbreak, which started in small farm holdings.

We heard that as the active farming definition will not apply to the scheme, there are concerns that there could be an 'influx' of new claimants, whose main income is not agricultural. The National Farmers Union Cymru cited the example in England, following their transition to area based payments, which had led to 'pony paddock' payments.

We agree with all the stakeholders that those participating in the small farmers scheme should be subject to cross-compliance.

Stakeholders understood the principle and reasoning behind the proposals. We agree with the broad consensus of respondents that the small farmers scheme should be voluntary and not mandatory, thereby enabling Member States and Regions to have the flexibility to decide upon whether it is an scheme appropriate for local needs.

Proposed amendment:

- Inclusion of sub-clause in Article 47 stating that Member States may grant support to small farmers under the conditions laid down in this Title.
- Amendment to Article 92 in the Financing, Management and Monitoring Regulation, removing the second paragraph which states that Article 91 shall not apply to beneficiaries participating in the Small Farmers Scheme.

Rural Development Regulation

Rural Development Budget

We are extremely concerned that the historically low allocation that UK and therefore Wales receives for the Rural Development Budget does not continue. The UK and Wales receive one of the lowest levels of rural development support per hectare across the EU. This cannot and must not continue. We have highlighted this as a key negotiation priority for the Welsh Government.

In the past to make up the substantial shortfall there has been a significant amount of voluntary modulation in the UK.

We are aware that the implementing regulations which will outline the allocation criteria are expected to be published early in 2012.

We feel it is of vital importance that the criteria which are used takes account on all past monies spent on rural development by a Member State or Region, and that this must include any modulated funds. This will help ensure that that Member States and Regions receive an amount which reflects their needs and commitment to Pillar 2 schemes. Some 75 per cent of Rural Development Funds in Wales have been spent on agri-environment schemes in the past and we would not wish to see the budget for these schemes and the important environmental outcomes it secures decreased as result of a poor Pillar 2 allocation.

We recommend that the allocation criteria for the rural development budget is based on all past monies (including any modulated funds) spent on rural development by a Member State or Region.

Minimum Spend on Agri-Environment

We note that the pre-amble to the legislative texts includes reference that a minimum of 25% of rural development funding should be spent on agri-environment schemes. We support this intention, but feel that it should be included within the legislative texts to ensure a commonality across the EU.

Proposed amendment:

- Inclusion of new clause under Article 29 stating that a minimum of 25% of rural development funding is spent on agri-environment schemes.

Financing, management and monitoring of CAP [Horizontal] Regulation

Simplification

We are aware that one of the European Commission's core aims with the new proposals is to simplify CAP. We heard frustrations from a number of key stakeholders that this opportunity has not been sufficiently progressed with the proposals in their current form. The amendments that we are suggesting have taken into account the simplification agenda, and we hope would help contribute to a simplification of the proposals.

However, we agree with the evidence that we have heard that further work is needed to simplify the regulations.

Cross – compliance (Articles 91-95) and Annex II Rules on Cross-Compliance

As noted earlier we are suggesting that an amendment is made to cross-compliance regulations so that those participating in the small farmers scheme are subject to cross-compliance.

At this initial stage, we are supportive of the UK Government's view as outlined in their recently published Explanatory Memorandum that the Statutory Management Requirements for the protection of birds and plants should be reinstated. However, we intend to hear further evidence in the next stage of our inquiry, and may reconsider our view following this.

Amendment:

- The Statutory Management Requirements for the Protection of Birds and Plants is reinstated.