

Alun Davies AC / AM
Y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a
Rhaglenni Ewropeaidd
Deputy Minister for Agriculture, Food, Fisheries and
European Programmes



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref:SF/AD/0598/12

Vaughan Gething AM
Chair, Common Agricultural Policy
Task and Finish Group

14th March 2012

Dear Vaughan,

Response to Task and Finish Group Recommendations on CAP Reform Proposals

Thank you for providing me with the initial findings of the Common Agricultural Policy Task and Finish Group.

The Group's findings are indeed helpful and I have attached my views and responses to the issues raised. I have also provided a copy of my responses to the European Commission, a copy of my correspondence is enclosed. If you would find it helpful I will ask my officials to brief members and provide copies of papers that are sent to various stakeholder groups from time to time.

If this is something that you feel will be beneficial please let my Private Office know and they will make arrangements

I look forward to working with the group further.

Best wishes
Alun

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Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence: Alun.Davies@wales.gsi.gov.uk
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Written Response by the Welsh Government to the report of the Common Agriculture Policy Task and Finish Group Inquiry into proposed reforms of the Common Agriculture Policy

March 2012

It is of fundamental importance that we secure the best deal for Welsh farmers from negotiations with the Commission on CAP reform and I welcome the work of the Task and Finish Group and this report.

Whilst it is too early to reach definitive conclusions on the EU proposals, certainly until the Implementing Regulations are released later this year, they do give us a basis on which we can negotiate.

My officials and I are actively engaged in the Reform agenda. There is work going on in Cardiff, London, Brussels and Strasbourg to present Wales' needs strongly and coherently and I am pleased that the Task and Finish Group's work and Report are supportive.

To encourage debate on the proposed regulations I issued the CAP Conversation in December to find out what farmers in Wales think of the proposals. The closing date for comments is 31 March 2012. This is an important element in our planning and the Task and Finish Group will receive a summary of the key points in due course.

The recommendations contained in the Group's report fit closely with the Welsh Government's current views on the draft regulations and I am pleased to accept all of them. We will take your findings on board as we develop our actions to address your key priorities of:

- Adequate and fair transitional arrangements as countries move to area based payments;
- Greening proposals suitably flexible to take into account individual Member State/Region's environmental and agricultural context;
- A fair distribution of Rural Development funding; and
- The Welsh Government undertakes adequate modelling to inform their negotiating position, and the development of implementation of the proposals.

Detailed responses to the report's recommendations are set out below:

Recommendations 1&2

The Task and Finish Group recommends that the Welsh Government seeks urgent clarity from the European Commission as to whether regional administrations will have the power to develop sub-regional payments.

The Task and Finish Group recommends that if the Welsh Government does have the power to develop sub-regional based payments, that modelling work should be completed on whether the use of sub-regional payments could be a cost effective and efficient tool to help mitigate the impact of the transition to area based payments. We recommend that this modelling is shared with both the Task and Finish Group and other CAP stakeholders by December 2012.

Response: Accept

I accept these recommendations. The Welsh Government fully understands the flexibility this would offer and is currently seeking clarity from the European Commission as to whether regional administrations will have the power to develop sub-regional payments.

In the meantime we are actively exploring the potential impacts of a differential approach and are working with stakeholders as we do this. Modelling work has already begun on the impacts of differential payments. One analysis is based upon the existing Less Favoured Area (LFA) categories; this would potentially allow differential payments for four types of land - Severely Disadvantaged Area, Disadvantages Area, Land not in the Less Favoured Area (Lowland) and Common Land. Other potential analyses could consider the mappings for commons and moorland.

We will share our modelling work when it is complete.

With regard to the concerns around the transition period the Welsh Government agrees that the proposed 5 year transition period fails to recognise the impacts associated with the move to area payments and is wholly insufficient to allow farmers to make the necessary adjustments to their farm enterprises. The Welsh Government would prefer a 10 year transition which would allow variable area payments across Wales from 2014, with the aim of reaching a uniform rate at the end of that period. There is a pressing need to ease what might otherwise be significant re-distribution of receipts under the current Single Payment Scheme and an extended transition period is a priority for the Welsh Government.

The draft Regulations would require from 2014 a compulsory split of 40 per cent area based and 60 per cent historic based payments as the first step towards 100 per cent area payments in 2019/2020. Our modelling shows this to be a huge change in Year 1 for most farm holdings and we cannot support such an abrupt change. The Welsh Government is pressing for flexibility to allow it to determine the pace of change to full area payments over the transition period, in order to ease the impact of the change.

Financial Implications –

Any additional costs of modelling will be accommodated within existing programme budgets.

Looking ahead to the costs of administering the system in the future is more difficult. Proceeding with differential rates would not be without cost to the Welsh Government. Based on experience of introducing the Single Payment Scheme in 2005, the Welsh Government would need to invest several millions of its own resources to deliver the necessary changes to the payment system infrastructure for delivery of the new payment regime in 2014.

Multiple/differentiated payments would add to the payment system development costs, and increase the administrative, validation and inspection complexities. Some options of differential rates would require remapping of the agriculture area of Wales, which would be costly and time-consuming. We are mindful of the implications that additional complexity might have on our ability to have our systems ready for 2014 and to maintain significant release of payments from 1 December each year.

Recommendation 3

The Task and Finish Group recommends that the Welsh Government undertake modelling on the impacts of the entitlement proposals currently contained in the proposals and the different entitlement options put forward. We recommend that the Welsh Government make this modelling publically available to stakeholders and the Task and Finish Group by December 2012.

Response: Accept

I accept this recommendation. We are already modelling several potential outcomes and are doing so in discussion with stakeholder groups. However, we have also discussed with stakeholders the potential to change the entitlement system itself. The Welsh Government will be discussing with the Commission some ideas about what the system of entitlements is meant to achieve and exploring means to achieve these ends for Wales. Further modelling will need to be undertaken after the Commission has responded.

Financial Implications

None; the modelling is being carried out internally and within existing Welsh Government programme budgets.

Recommendation 4

The Task and Finish Group recommends that the Welsh Government pursues the need for greater Member State / Regional flexibility to deliver greening requirements as a clear negotiating priority. Greening requirements should be delivered in a manner that is suited to local environmental and agricultural needs within an overarching framework of consistent European priorities.

Response: Accept

I accept this recommendation. The Welsh Government remains opposed to the greening proposals and will be presenting the Commission with a number of suggestions.

We are of the view that the EC proposals are too narrow and prescriptive to work on all farmlands across Europe and that more freedom is required to suit local farming and environmental conditions. We are discussing these with our stakeholders and are working up a number of specific suggestions to give more options than the three the Commission have proposed.

We do not support any artificial incentive to take productive land out of use; we would prefer such decisions to be taken by the farmer.

We have made significant progress in agri-environmental schemes in Wales and do not want to see past progress undermined. Accordingly we will be pressing to have participation in Glastir recognised as an automatic access route to greening.

Financial Implications

None; the work is being carried out internally and within existing Welsh Government programme budgets.

Recommendations 5 and 6

The Task and Finish Group recommends that the Welsh Government seek clarity from the European Commission on whether Regions will be given the power to transfer funds between pillars.

The Task and Finish Group recommends that a key negotiation priority for the Welsh Government should be ensuring a fair allocation of Rural Development funding. The Welsh and UK Governments must ensure that the UK and Wales do not continue to receive the lowest level of rural development support per hectare across the EU.

Response: Accept

I accept these recommendations. The Welsh Government shares the Group's view on these points and is very conscious of the need to negotiate and secure an increased share of the EC funding provision for the successor Wales Rural Development Plan. We support the UK's contention that the UK and Wales have not received an equitable share of the EU budget for its Rural Development work and we will continue to press for a fair allocation.

In relation to recommendation 5 the draft proposals state that Member States may transfer up to 10 per cent of their annual national ceilings to support rural development activity delivered under Pillar 2. Under the current rural development plan (2006-2013) the equivalent figure (through various forms of modulation) was about 9% per year, on average. Several Member States, including the UK, would have the discretion to transfer to Pillar 1 up to 5% of the European funding provided for RDP activity.

It would appear that these mechanisms for moving funds between the CAP Pillars are a replacement for the current modulation system. Modulation in Wales is used to fund RDP activity, including agri-environment schemes, as a

direct response to the inequitable funding made available by the EC. Key concerns for Wales are to ensure that such flexibility is voluntary and that it may be applied regionally rather than at the UK level.

Financial Implications

None. Any additional costs will be drawn down from existing Welsh Government programme budgets.

Recommendation 7

The Task and Finish Group recommends that the Welsh Government ensures in the interpretation and implementation of the control systems and penalties linked to CAP funding, that they take a risk based proportionate approach.

Response: Accept

The Welsh Government is currently developing an Action Plan to deliver the recommendations of the Working Smarter report, which aims to address problems in administering the current CAP regulations. A number of the recommendations of that report agree with your views and will help to progress change. The Welsh Government is contributing to the development of the draft regulations and will be using these points as levers to encourage the EC to be responsible in its requirements.

Financial Implications

It is too early to predict the financial implications since much of the potential for excess will lie in the Implementing Regulations which are yet to be seen, but the recommendation and our actions are intended to keep costs low and in proportion to the risks.

Recommendation 8

The Task and Finish Group recommends that the Welsh Government seeks clarification from the European Commission on the definition of carbon rich soils and whether the definition would lead to a ploughing ban on land not defined as arable.

Response: Accept

I accept this recommendation. There is potential here for a significant restriction for farmers in Wales and the Welsh Government will seek clarification on the definitions of (a) carbon rich soils and (b) first ploughing.

Financial Implications

None. Any additional costs will be drawn down from existing Welsh Government programme budgets.

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Rhaglenni Ewropeaidd
Deputy Minister for Agriculture, Food, Fisheries and
European Programmes



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/AD/0598/12

DG Agriculture
European Commission

10th March 2012

Response to Task and Finish Group Recommendations on CAP Reform Proposals

I am writing to provide you with a copy of my responses to the National Assembly for Wales Task and Finish Group inquiry into the proposed reforms to the Common Agricultural Policy which the Group sent to you on the 30th January 2012.

The initial findings of the Group are interesting and I hope that both their findings and my responses help inform the discussion.

Alun Davies AC / AM

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CF99 1NA

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