

Environment and Sustainability Committee

E&S(4)-22-12 paper 1

General scrutiny of the Deputy Minister for Agriculture, Food, Fisheries and European Programmes

Agriculture, Food, Fisheries and European Funding Portfolio

1. As Deputy Minister for this wide ranging portfolio, I have the opportunity to develop new, integrated and innovative strategies to ensure increased prosperity in our agricultural, aquaculture and rural economies, ensure our land and water based industries thrive and prosper, and ensure that we maximise the benefits for those economies from the funding which we allocate.
2. Our activities in these areas of policy can have a significant contribution to the key themes of improving sustainability, wealth creation and wellbeing which lie at the heart of our Programme for Government.

Priorities

3. Whilst it is not possible to address every issue within my portfolio in this paper, I have outlined below further details on some of my priorities and the activities which I am progressing.

Working Smarter

4. Working smarter means providing a measured and appropriate regulatory framework for our customers, the people of Wales. An important piece of work has been to investigate the regulatory burden on our farmers and to deliver improved customer service. The 74 Working Smarter recommendations cover 7 key issues including:
 - Communications
 - CAP support
 - Inspections
 - Animal health & welfare
 - Record keeping
 - Environmental regulations
 - Diversification
5. Our work on Better Regulation and Working Smarter will reduce the regulatory burden on farming businesses and help them to achieve compliance as swiftly and sensibly as possible. Farming Connect and the Farm Liaison Service, alongside other front facing officials within my Department, will help deliver this objective by providing well informed assistance and support to farmers and forest holders.
6. The rapid development of on-line applications will simplify the SAF application for customers and a dedicated stakeholder group is already

heavily involved. We will begin piloting the system in November 2012 and both SAF and Glastir application processes will be available on-line in 2014.

7. I am actively implementing an action plan to deliver the working smarter recommendations that were put to me by Gareth Williams in January. Committee members will be aware of the progress report in the shape of a Written Statement I made to the National Assembly on this matter on 16 July 2012.

Food Strategy

8. The Food Strategy, launched in December 2012, took a broad and integrated approach to overarching issues such as health, food culture, education, food security, and climate change. This had not been done before. However, I now want to go further and identify what now needs to be done on specific actions, to develop and support the businesses in our food sector in creating jobs, wealth and sustainable businesses.
9. I welcome the establishment in October of the Food and Farming Sector Panel. Its members have a deserved reputation for excellence across the sector, and they have an important role in providing additional advice to Welsh Government on the key issues. This places food and farming at the heart of the Government's economy policies.
10. I am aware that the Panel has been focussing on developing its advice to Ministers on a set of strategic priorities, and the subsequent interventions that they feel are needed to deliver more jobs and growth in the economy. In particular, they have looked at some of the current business support structures, public procurement, food promotion, engagement with retailers, and branding awareness of food from Wales. The Panel intends to submit advice to Ministers following their July meeting.
11. I have made a clear public commitment to ensuring our food sector has a greater priority in the coming years. One of the six EU wide priorities under the next Rural Development Programme is to promote food chain organisation in agriculture through better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations.
12. To inform my future decisions on the priorities for government interventions, I hosted a high profile food summit at the National Botanic Garden on 12 July of this year, and was delighted that HRH the Prince of Wales agreed to open the event. I took this opportunity to listen to the views of key players in the Food Sector. The summit will be a springboard for our strategic approach to food production in Wales and I look forward to making further statements on the results of the summit later this year.

13. I also, in June of this year, hosted a dairy summit in Aberystwyth. Committee Members will have seen the Written Statement that I issued on 11 July following the dairy summit.

Fishing Industry

14. The statement I made to the National Assembly for Wales on 27 March set out the Welsh Government's approach to the management of our fisheries. In my statement, I outlined my ambition for our fisheries to achieve long-term sustainability, to secure both the fish stocks and the fisheries jobs in our coastal communities. The majority of our fisheries are sustainable by their nature, dominated by small vessels that can only work for around 100 days per year and in the main make use of static gear that achieves a high level of selectivity – enabling undersized fish to be returned alive.

Common Fisheries Policy

15. In my statement on 27 March I outlined the approach the Welsh Government has undertaken in responding to the proposals to reform the Common Fisheries Policy (CFP). I indicated that I have been making the case that a reformed CFP will need to consider carefully the needs of the small scale coastal fishing communities. In addition, I have pressed for a more regional approach that enables respective Member States to work together and develop management measures in areas such as the Irish Sea. I welcomed the agreement reached in Luxembourg in June.

Common Agricultural Policy

16. I made a statement to the National Assembly for Wales on 22 May when I published CAP Reform 2014: The Welsh Government Response, this paper frames my position and view on the current reform proposals. In addition to this I am carrying forward a number of actions under the CAP banner, as set out below.

Differential payments

17. I recognise that a change to an overly simple per hectare land-based calculation of Direct Payment could produce some far-reaching and abrupt changes in Wales. The Welsh Government may consider a combination of the mechanisms to permit the continuing functioning of markets and social cohesion following the change to area based payments. These include the potential use of a number of differentiated per hectare payment rates; possible use of a coupled aid scheme; a refined eligibility criteria for the land and active farmer; and a transition over a far longer period than the proposals allow, and in more measured steps. I have pressed the European Commission on this and have received a favourable response to operating a differential payment system in Wales. Modelling work has been ongoing, and will continue to determine the best option for Wales. I will launch a consultation on these issues in the Autumn.

CAP Greening

18. The draft greening proposals are complex and some of the proposed measures could be difficult to deliver in Wales. I have consistently pushed for membership of Glastir to automatically equate to greening and recent proposals from the Commission show support for this. I will continue to press the Welsh position at EU level for further refinement of the measures.

Active Farmer

19. In the face of universal pressure, we expect the Commission to drop the household income test from the definition of an active farmer and allow a Member State definition. I am pushing for regional flexibility in setting this definition and I feel that the active farmer concept should be measured by activity 'on the farm' and not activity 'off the farm'. If the land is used and maintained in Good Agricultural and Environmental Condition (GAEC) then the essential conditions for agricultural purposes are met.

Entitlements

20. I am pressing for the use of entitlements to be decided at a regional level and that they should be voluntary. I am proposing that the Commission considers allowing us to operate without a system of entitlements after the end of the proposed transition period.

21. In addition, the proposals state that only farmers who received the Single Payment in 2011 through activating at least one payment entitlement will be eligible to receive payments in 2014. I have consistently called for more flexibility in this approach. Recent discussions I have had on this issue show that the European Commission is being pressed by both the European Parliament and the Presidency on these same concerns.

Transitional Payments

22. I consider the proposed 5 year transition period to be too short in that it fails to recognise the significant impacts for some associated with the move to area payments and is insufficient to allow farmers to make the necessary adjustments to their farm enterprises. I am continuing to press for a longer transition of 7 to 10 years, and for greater flexibility in our ability to deliver this policy.

Current Rural Development Plan

23. The current RDP has nearly 80% of its funding focused on agri-environment measures but continuing in this vein would restrict opportunities to invest in other priorities such as rural employment, SMEs and community renewal. I have committed to a minimum threshold of 60% for our agri-environment activity in the next round of RDP. I will review this

figure as we move forward, but this is clear evidence of my commitment to protect the environment in Wales.

24. I have recently established a Rural Development Plan Advisory Group to make recommendations on what the new programme for 2014 – 20 might look like. A main focus of the group is to explore all the possibilities and opportunities to mitigate against the impact of the changes from the historical single payment scheme to area based payments under the pillar 1 reforms. The group will look at the most effective way that we can target our interventions in future to protect our valuable environment, promote and support rural communities to become sustainable and economically vibrant, and ensure our farming businesses are strong enough to generate wealth and protect and create jobs.

Electronic Identification (EID)

25. I have set out the latest separate positions on the issues of Sheep and Bovine EID under the headings below.

Sheep EID

26. I announced in March that Wales would develop an electronic movement service for sheep, incorporating an individual sheep database – ‘EIDCymru’. Work is progressing to develop the service and I expect to make further announcements in the Autumn. The system will provide a central infrastructure that enables farmers to maintain their holding registers, report movements and, for those who choose to use commercially available on farm software systems, to report movements electronically.
27. The service will replace the current manual processes so that movement data can be captured once and used many times. This will remove much of the current bureaucracy, but EID also provides opportunities for farmers to improve their profitability. We are actively assessing the additional commercial opportunities of using EID and will encourage farmers to consider these opportunities as they become available.

Bovine EID

28. The European Commission announced in August 2011 proposals to introduce electronic identification and repeal the current voluntary beef labelling requirements. This could mean significant changes for all EU Member States, allowing them to impose compulsory electronic identification, or to implement electronic identification alongside existing systems. Some concessions are included but the potential impact will need to be carefully assessed, in particular the cost and complications of operating a dual system, as well as the significant IT investment required.

29. During negotiations at official level a range of issues have been aired with the UK's primary concern relating to the voluntary option, which currently allows farmers (rather than Member States) to choose when to introduce EID. This, I feel, would be confusing if implemented as drafted. Recently, a compromise has emerged, which provides autonomy for Member States to decide whether to implement voluntary or compulsory EID for a period of time (possibly 7 years), after which Member States will be required to introduce compulsory EID.
30. The eventual proposal will be considered by the European Parliament and Council of Ministers. The earliest that agreement is expected is the end of 2012 and further detailed discussions mean that the provision may not apply until 2013-14 or even later.
31. Implementation in Wales will require consideration of the requirements in other GB administrations to agree the eventual legislative and IT system changes necessary.

Dairy Sector

32. I remain committed to doing all I can to support the dairy industry in Wales and the Welsh Government provides a wide range of support at various stages of the supply chain, through a number of important channels.
33. Milk production and processing is a key part of our nation's heritage. Good husbandry and quality primary products, as well as excellent processing capability, is an emblematic part of the Welsh culture. I am keen to re-examine the priorities for the industry to ensure it has a healthy long term future.
34. The dairy summit on 22 June brought together stakeholders from the dairy industry so they could discuss the key issues. The purpose of the summit was to listen to their views especially in respect of what they felt the Government's priorities should be. I will use the information from the event to fully inform my future decisions on support for this important sector of the industry.
35. I am keen to engage directly with key stakeholders in the dairy industry and have clearly stated that the Welsh Government wishes to re-focus attention on delivering targeted actions to increase the economic contribution of the sector and increase employment, in line with the current Programme for Government. The June summit, alongside the high profile Food Summit on 12 July, are both critically important in informing the decisions I make on how best to target government interventions in the short and longer term to deliver the best possible benefits to the industry and economy.

Groceries Code Adjudicator

36. The establishment of a Groceries Code Adjudicator (GCA) will enforce the Groceries Supply Code of Practice along the supply chain to ensure good practice and investigate any suspected unfairness. Although competition policy is not devolved, the role of the Adjudicator may impact on food and farming development devolved functions. The Adjudicator will be paid for by the larger retailers.
37. The Welsh Government has long supported the establishment of a GCA, as reaffirmed in the 2011 Programme for Government, and I have been pressing for the GCA to be strengthened to have the power to fine from the outset, to hear complaints anonymously, and to ensure the widest possible access, which would include indirect suppliers such as farmers and trade associations. Whilst the new Bill makes good on issues of access and confidentiality, it falls short of giving the GCA from the outset the power to fine those retailers found to be abusing the groceries code. My officials have worked with the UK Government to represent Welsh interests fully. I have also written to the Department for Business, Innovation and Skills, and expect to meet the UK Minister to take the matter forward.
38. The Welsh Government broadly supports the Groceries Code Adjudicator establishment across the UK. I hope to see some further improvements in this Bill as it progresses through the UK parliament; and to seeing the body itself being established shortly thereafter.

Sustainability

39. The Welsh Government is committed to policies and operations that are sustainable. The priority areas reported in this paper have at their core support for all aspects of best practice in managing the land, efficient farming, food processing, energy and water use, and reducing waste. Importantly, best practice will also contribute to the Welsh Government's Climate Change Strategy objectives of cutting greenhouse gas emissions by 3% annually and being able to adapt to the impacts of a changing climate. My portfolio is a paramount policy driver and is integral to achieving the Welsh Government's aspirations of being at the forefront of sustainable development and meeting the challenge of climate change.

Alun Davies
Deputy Minister for Agriculture, Food, Fisheries and European
Programmes
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