

Y Pwyllgor Amgylchedd a Chynaliadwyedd

Environment and Sustainability Committee



24 July 2012

Dear Colleague

Common Agricultural Policy

As you will be aware the Environment and Sustainability's Common Agricultural Policy (CAP) Task and Finish Group (the Task and Finish Group) published its initial views and suggestions for amendments to the European Commission's (the Commission's proposals) for reform of the CAP in January 2012.

Since January, the Task and Finish Group has continued to monitor developments within the negotiation process and has met with Members of the European Parliament (MEPs), Commission officials and representatives of other Member States and regions to set out the views of Welsh stakeholders on the proposed reforms. The Group wants to ensure that this level of engagement continues throughout the negotiation process so as to secure the best possible outcomes for Wales. In particular, the Group is keen to ensure that it maintains a dialogue with colleagues in the European Parliament who will have equal say to Member States on the final content of the proposals.

In May 2012 the relevant Rapporteurs from the European Parliament's Agriculture Committee published draft reports on the Commission's proposals for:

- A new regulation on direct payments;
- A new regulation on the rural development fund;
- A new regulation on the Common Market for agriculture; and
- A new horizontal regulation which sets out control mechanisms for the other three regulations.

The Draft Reports make proposals for significant amendments to the Commission's original draft regulations. The Agriculture Committee will now go through a process of agreeing this report before it adopts its final position. The Agriculture Committee has stated that it will not vote on its final position on these regulations until a decision has been reached on the EU Budget and therefore the amount allocated to the Common

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Agricultural Policy. The Task and Finish Group would like to hear your views on some of the key amendments proposed in the Draft Reports so that it can raise any relevant issues with the MEPs before they adopt their final position.

To that end, we have provided below a summary of what we believe are some of the key amendments from the Draft Reports that may have impacts for Wales and the Group's initial response to them. We would welcome any feedback from you/your members on this summary. We have set out some broad questions for thought, but you need not reply to all of these directly if you do not wish to and comments on any of the other amendments made in the Draft Report would also be welcomed.

You can send us your thoughts in writing or via an email to es.comm@wales.gov.uk

Once we have collected everyone's views we will publish a summary of the key points raised on our website.

If you would like to read the complete version of the Draft Reports you can access them from the European Parliament's website [here](#). In addition you can track the progress of the proposals through the EU decision-making process on the European Parliament's 'Legislative Observatory' web-site [here](#).

Yours sincerely

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive, slightly slanted style.

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

Draft Report on a regulation establishing rules for direct payments

The Draft Report on the direct payments regulation was published on 30 May 2012 by the appointed rapporteur, Mr Luis Manuel Capoulas Santos. The Draft Report proposes 107 amendments to the Commission's original proposal. Some of these amendments are supportive of those proposed by the Task and Finish Group in its initial response and we believe that these could deliver better outcomes for Wales. Some amendments however propose changes that the Task and Finish Group did not support or did not consider in its initial review but may have implications for Wales.

Distribution of direct payments

In its initial conclusions on the draft direct payments regulation published by the Commission the Task and Finish Group expressed concern about the proposal to require all Member States to pay 40 per cent of their direct payments on an area basis in 2014 and to move towards a full area based mechanism for direct payments by 2019. The Task and Finish Group believed that this could lead to significant redistribution of payments within Wales and that the draft regulation should be amended to include a more gradual transition period.

In his draft report (**Amendment 53**) Mr Capoulas Santos suggests that Member States should only be required to redistribute 20 per cent of payments on an area basis in 2014 and that in 2019 (**Amendment 55**) Member States would have leeway to allow up to a 20 per cent difference to average unit payments within their territory. Whilst these amendments give Member States a greater degree of flexibility they do not go as far as the Task and Finish Group's recommended changes. The Task and Finish Group is therefore minded to continue to call for greater flexibility for Member States.

Amendment 56 of the Draft Report suggests that in moving towards an area based system of direct payments Member States could take measures to ensure that in 2019 no farm's entitlements are reduced by more than 30 per cent as compared to 2014. Given that the Task and Finish Group was concerned about the instability that could be caused by a large redistribution of payments in Wales we are minded to support this amendment.

- Would you support the amendments as set out in the draft report or would you like to see further changes put forward?

Entitlements

The Task and Finish Group heard a range of concerns from stakeholders about the proposal to allocate entitlements in May 2014 to farmers who activated at least one entitlement in 2011. **Amendments 50 and 51** of the Draft Report suggest that this should be widened to include farmers who activated entitlement between 2009 and 2011 to avoid excluding farmers who may due to particular circumstances have been unable to claim their entitlement in 2011.

One particular concern that the Task and Finish Group had about the 2011 reference period was that it might prevent new entrants from joining the industry. **Amendment 59**

of the Draft Report states that Member States should be allowed to use the national reserve proposed under Article 23 to allocate entitlements to farmers who began their agricultural activity after 2011 and who operate in sectors identified by the Member State.

The Task and Finish Group also heard concerns from stakeholders that the future reference date of 2014 for the distribution of entitlements may lead to land banking. We are therefore minded to continue to pursue amendments to the text of the proposed regulations that would safeguard against this.

- Would you support Amendments 50 and 51 on widening the years within which a farmer is required to have activated an entitlement?
- Would you support the use of the national reserve for the purpose outlined by Amendment 59?
- Do you support the view that further safeguards are needed in the text to minimise the possibility of land banking?

Greening

The Task and Finish Group had serious concerns about the proposals for greening direct payments set out by the Commission in the original text of the draft regulation. It therefore suggested a number of amendments to this element. These included allowing farmers in agri-environment schemes certified by the Commission to automatically receive the greening payments and giving Member States and Regions greater flexibility to select greening requirements from a wider menu of greening options.

Amendment 69 of the Draft Report suggests that where farmers in existing agri-environment scheme are undertaking measures which go beyond the greening requirements they should automatically receive the greening payments. **Amendment 72** allows the Commission to adopted delegated acts to further define the conditions in which organic farmers and those in agri-environment schemes can automatically qualify for payments.

While the Draft Report suggests a number of amendments to the three greening requirements proposed by the Commission on crop rotation, permanent pasture and ecological focus areas, which improve these three options, it does not propose to give Member States the flexibility the Task and Finish Group believes is necessary to avoid perverse consequences. The Task and Finish Group therefore believes that it is important to seek further amendments which better reflect its initial conclusions.

- Do you support the proposal set out by amendment 69?
- Do you support the Group's view that it should continue to push for a wider menu of greening options to be contained in the final regulation?

Small Farmers Scheme

The Task and Finish Group concluded that the Small Farmers Scheme proposed in the draft regulation should be voluntary and should be subject to cross compliance. The Task and Finish Group therefore welcome **Amendments 18 and 102** in the draft report that would make the Scheme voluntary. **Amendment 104** however, increases the amounts of

funding that farmers could receive under the Small Farmers Scheme from 1000 to 1500 Euros. The Task and Finish Group is yet to form a view on this amendment and would therefore like to hear your thoughts on this issue.

- Would you support an amendment to make the Small Farmers Scheme Voluntary?
- What are your views on Amendment 104?

Young Farmers

The Task and Finish Group was extremely supportive of the proposals to encourage new entrants into the industry but believed that this support should not be limited to people under the age of 40. No mention is made in the Draft Report of widening support to new entrants above 40 but **Amendments 86 and 87** recommend that Member States should be required to develop objective and non-discriminatory criteria to set out who under the age of 40 will be eligible for funding. The justification for this amendment provided in the Draft Report is that Member States should require young farmer to have developed the relevant training and skills to ensure their business are viable in the long term. The Task and Finish Group is minded to continue to pursue an amendment that would provide support to all new entrants and wishes to seek your views on Amendments 86 and 87.

- Do you support the Group's view that support should be provided to all new entrants and not only those under the age of 40?
- Do you support the intentions of Amendments 86 and 87?

Active Farmer

Whilst the Task and Finish Group supported strongly the principal that direct payments should only be made to active farmers it was concerned that the proposal set out by the Commission which would define an active farmer on the basis of agricultural income would be overly complex. It therefore welcomes **Amendment 29** which removes this requirement and **Amendment 32** which would introduce a negative list of activities and businesses such as sport grounds and transport companies who would not be eligible to receive direct payments.

- Would you support the use of a negative list to define Active Farmer?

Amendment 31 would also amend the definition of Active Farmer under Article 9 so that natural or legal persons who 'were not engaged in an agricultural production activity in 2011' could not receive single farm payment. The amendment does not clarify how this would be defined in relation to new entrants.

- What are your views on this Amendment and do you have any concerns about how it would relate to new entrants?

Flexibility between Pillars

The Task and Finish Group heard a range of views from stakeholders about the ability of Member States to transfer funds between Pillars. The Group concluded that it will be important to ensure that this remain a voluntary option for Member States and regions. The Draft Report makes a number of amendments in relation to this issue. **Amendment**

39 would allow several Member States including the UK to increase the amount they are able to transfer from Pillar 1 to Pillar 2 by an additional 10 per cent. **Amendment 40** would enable Member States who don't use Pillar 1 funds to support Areas of Natural Constraint to transfer up to five per cent of these funds to Pillar II and **Amendment 43** would allow Member States to transfer any unallocated funds for greening to agri-environment-climate measures under Pillar 2. **Amendment 41** however would mean that in transferring a combination of these funds Member States could not transfer more than 20 per cent in total from Pillar 1 to Pillar 2.

- What are your views on the proposal to allow the UK to transfer an additional 10 per cent from Pillar 1 to Pillar 2?
- What are your views on the proposals to allow Member States to transfer some funds not used for areas of natural constraints and greening under Pillar 1 to Pillar 2?

Draft Regulation on Rural Development

The Draft Report prepared by the rapporteur Mr Capoulas Santos, sets out 72 proposed amendments to the original text of the draft regulation. The Task and Finish Group broadly welcomed the Commission's draft regulation on rural development and did not suggest many detailed amendments in its initial conclusions. Nevertheless the Draft Report makes a number of amendments which may have impacts on Wales and the Task and Finish Group and is therefore keen to hear stakeholder views on the possible changes.

Objectives and Priorities of Rural Development

Amendment 9 of the Draft Report on the rural development regulation would add the **competitiveness of forestry** as an objective and **Amendment 10** would add the competitiveness of forestry as a union priority for rural development.

- Would you support the addition of the competitiveness of forestry as an objective and priority for rural development funds?

Specific Measures

The Draft Report also proposes amendments to a number of the measures that Member States will be able to use in their rural development programmes. The Task and Finish Group would particularly welcome your views on:

- **Amendments 24 and 27** which would enable Member States to make retirement payments to any farmers permanently transferring their holding to another farmer if the farmer retiring is over the age 65 and has practised farming for at least ten years; and
- **Amendment 28** which would allow Member States to provide funds to act as guarantees for land lease contracts for young farmers to facilitate access for young farmers to long term leases.

Agri-environment Climate

Amendments 41 and 42 of the Draft Report seek to ensure that in the event of an amendment to Pillar 1 which would enable farmers in existing agri-environment schemes to automatically receive greening payments there would be no double funding between the pillars. The amendments would require all agri-environment schemes to go beyond the minimum greening requirements. The Task and Finish Group sees these as logical amendments given its position on the greening of direct payments and is therefore minded to support them.

- What are your views on these proposed amendments?

Amendment 66 of the Draft Report would allow for co-financing rates of 60 per cent for all agri-environment-climate measures and 90 per cent co-financing rate in the programmes of less developed regions. The Draft Report states that many Member States make use of the increased co-financing rates for existing agri-environment schemes and that this should continue in future. **Amendment 68** of the Draft Report would require

Member States to spend at least 30 per cent of their rural development funds on agri-environment-climate schemes.

- Would you support the inclusion of increased co-financing rates for agri-environment climate measures?
- Would you support the requirement that Member States should spend at least 30 per cent of their rural development funds on agri-environment-climate measures?

Areas of Natural Constraint

As currently drafted the rural development regulation in Annex 2 sets out proposals for biophysical criteria that should be used to define areas of natural constraint. **Amendment 46** of the Draft Report suggests that the criteria listed in Annex 2 should only be indicative at this point and that the Commission should, by 31 December 2015, present a legislative proposal for mandatory criteria to define areas of natural constraint. The Draft Report states that this would allow the Commission more time to complete a full impact assessment on the criteria.

- What is your view of this suggested Amendment?

Draft Regulation on financing, management and monitoring of the Common Agricultural Policy

The Draft Regulation sets out the control and management requirements that will apply to the distribution of CAP funds including measures in relation to cross-compliance. The Draft Report on this regulation was prepared by the rapporteur Mr Giovanni La Via, suggests 102 amendments to the original text.

Although the Task and Finish Group did not put forward detailed amendments on this regulation it did support stakeholder's calls for further simplification of the penalty and compliance system.

Amendment 58 in the Draft Report on this regulation would require Member States to ensure that any management or control systems established are '**proportionate and risk-based**'. **Amendment 62** would require Member States to focus their on-the-spot checks in areas where risk or error is highest, to ensure that checks are proportionate to the sums of money involved and consider the outcome of earlier audits.

Amendments 85 and 94 would require that cross-compliance penalties were applied only where the issue of non-compliance was **unequivocally** attributed to the beneficiary concerned and **Amendment 86** would allow Member States to establish a warning system where the beneficiaries concerned could receive an initial warning letter allowing them to remedy the irregularity in cases of first non-compliance.

- What are your views on these amendments?
- Are there any other amendments that you would like to see?

Electronic Identification of Animals

Amendment 87 of the draft regulation would prevent beneficiaries from being penalised in relation to Statutory Management Requirement 7 on the identification of bovine animals and Statutory Management Requirement 8 on the identification of ovine and caprine animals where the failure to comply is as a result of a technical fault with the identification and registration system.

- Would you support such an amendment to the draft regulation?

Water Framework Directive and Pesticides Directive

Article 91 of the draft regulation put forward by the Commission would allow for compliance with the requirements of the Pesticides Directive and Water Framework Directive to become cross compliance requirements once all Member States have adopted the Directives. **Amendment 88 and 89** of the Draft Requirement would remove this part of Article 91.

- What are your views on these Amendments?

Good Agricultural and Environmental Condition

Amendment 102 of the draft regulation would amend Good Agricultural and Environmental Condition (GAEC) 8 on maintaining landscape to remove the reference made in the Commission's proposals to measures for avoiding invasive alien species and pests. The draft report states that while preventing invasive alien species should be eligible for support under the rural development measures the well planned and multi-annual approach that is required to address these species would be very costly to individual farmers.

- Do you agree with the amendment proposed to GAEC 8?