

**National Assembly for Wales**  
Rural Development Sub-Committee

Inquiry into the Reform of the Common  
Agricultural Policy

July 2010



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report and others can be found on the National Assembly's website: [www.assemblywales.org](http://www.assemblywales.org)

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Rural Development Sub-Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Tel: 029 2089 8153  
Fax: 029 2089 8021  
Email: [ruraldev.comm@wales.gsi.gov.uk](mailto:ruraldev.comm@wales.gsi.gov.uk)

© National Assembly for Wales Commission Copyright 2010  
The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

**National Assembly for Wales**  
Rural Development Sub-Committee

Inquiry into the Reform of the Common  
Agricultural Policy

July 2010



## **Rural Development Sub-Committee**

The Rural Development Sub-Committee is established by the National Assembly for Wales to consider and report on issues affecting Rural Development. It is a sub-committee of the Sustainability Committee and its remit is to scrutinise the Welsh Government on the Government's areas of responsibility that the sub-committee considers impact on rural development.

### **Powers**

The Committee was established on 5 July 2007 as a Sub-Committee of one of the Assembly's Sustainability Committee. Its powers are set out in the National Assembly for Wales' Standing Orders, particularly SO 12. These are available at [www.assemblywales.org](http://www.assemblywales.org)

### **Committee membership**

<i>Committee Member</i>	<i>Party</i>	<i>Constituency or Region</i>
Rhodri Glyn Thomas (Chair)	Plaid Cymru	Carmarthen East and Dinefwr
Joyce Watson	Labour	Mid and West Wales
Brynle Williams	Welsh Conservative Party	North Wales
Kirsty Williams	Welsh Liberal Democrats	Brecon and Radnorshire

The following Member(s) were / was also a member of the Committee during this inquiry:

Mike German	Welsh Liberal Democrats	South Wales East
-------------	----------------------------	------------------

# Contents

---

<b>Chair’s Foreword</b> .....	<b>5</b>
<b>The Committee’s Recommendations</b> .....	<b>7</b>
<b>1. Introduction and Background</b> .....	<b>10</b>
Origins of the Inquiry.....	10
The Reform of the CAP post-2013 .....	10
Terms of Reference .....	11
Report .....	11
<b>2. The Welsh Government’s Position</b> .....	<b>13</b>
Key Objectives .....	13
Budget.....	14
Structure.....	14
Instruments .....	15
Direct Payments .....	15
Market Intervention .....	16
Rural Development Plan.....	16
A Common Policy.....	17
Influencing Negotiations .....	18
Stakeholder Engagement .....	18
<b>3. Stakeholder Viewpoints</b> .....	<b>20</b>
Key objectives.....	20
Budget.....	22
Structure.....	25
Instruments .....	29
Direct Payments .....	29
Market Instruments .....	32
Rural Development Plan.....	34
Less Favoured Areas .....	36
A Common Policy.....	38
Stakeholder Engagement .....	39

<b>4. Conclusions and Recommendations.....</b>	<b>40</b>
Key Objectives .....	40
<b>Witnesses.....</b>	<b>53</b>
<b>List of Written Evidence.....</b>	<b>55</b>

## Chair's Foreword

---

To appreciate the importance of the Common Agricultural Policy (CAP) for Welsh farmers, one need only look at the bare figures.

The annual budget for CAP is currently €55 billion annually and accounts for 40 per cent of the total EU Budget. Of this budget, Wales receives approximately €330 million in Single Farm Payments (SFP) annually- accounting for almost 90% of average farm income in 2008-09. On top of this Wales also receives €376.7 million for the Rural Development Plan under Pillar Two for the period 2007-13. This is a crucial additional source of income for farmers, as well as providing investment in our wider rural communities.

The debate around the future of the CAP post-2013 is therefore of fundamental importance to the Welsh agricultural industry and rural Wales more generally. The Committee therefore felt a duty to get involved in the discussion at an early stage, so as to influence the debate for the benefit of everyone in Wales. This report seeks to do so both by setting a marker for the Welsh Government regarding how it should be representing Wales' interests during the negotiation process, and by helping to inform the decision-makers at the EU institutions of the needs and desires of Welsh stakeholders.

For the period after 2013, we are almost certain to see a move to area-based payments which will be a fundamental reform of the SFP. This change will have to be handled very carefully allowing the longest possible transitional period to enable farmers to successfully adjust.

The discussions about how the CAP will look after 2013 is also certain to involve a debate about the policy's core aims and objectives. Some would like to see the original objectives of the CAP reformed to include additional objectives such as the provision of environmental security with the policy moving towards being a land management policy focussed on the delivery of social and environmental goods.

The Committee has come to the view that there is no inherent conflict between the 'old' and the 'new' objectives. Food and environmental security go hand in hand, and are in many ways dependent upon each other. By contributing towards both farmers can both increase and diversify their income particularly in areas considered to be less

favoured. As the one of the main mechanisms for providing positive incentives for good environmental behaviour, CAP has an important opportunity to deliver on many of the social and environmental goals of both Wales and the wider European Union. It is because of the importance of this opportunity that the Committee wants to see agri-environmental and less favoured areas schemes sit alongside the SPS in a new, enlarged Pillar 1 encompassing all of CAP's land-based measures and funded from the Community budget.

We believe this would be an important step in moving in the longer term towards an integrated policy, ensuring food and environmental security for Europe. We also believe this would provide an income for farmers, which reflects their indispensable role in the achievement of those objectives.

I hope very much that this report will provide a useful starting point for the debate in Wales on the future of CAP and that the Welsh Government will take the Committee's findings on board. As always, this report would not have been possible without all those organisations who gave of their time to contribute written and oral evidence to the Committee, and we are very grateful to them for doing so.



Rhodri Glyn Thomas AM  
**Chair, Rural Development Sub-committee**



## The Committee's Recommendations

---

The Committee's recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** The Welsh Government should ensure that ensuring food security and an adequate income for farmers remains at the core of the CAP. **(Page 41)**

**Recommendation 2.** So as to make the CAP's aims more relevant to current challenges, and to secure new sources of income for Welsh farmers for the provision of public goods, the Welsh Government should lobby for environmental security to become a new key objective of the CAP. **(Page 41)**

**Recommendation 3.** The Committee urges the Welsh Government to make protecting the CAP budget a priority for its negotiating strategy. The Government should ensure that the reform process does not result in a reduction in the sum of CAP monies coming to Wales after 2013. **(Page 42)**

**Recommendation 4.** The Welsh Government should support the principle of the CAP becoming one integrated policy in the long term, bringing to an end the artificial and unhelpful distinction between Pillar 1 and Pillar 2. **(Page 44)**

**Recommendation 5.** In the short term, the Welsh Government should lobby for agri-environmental schemes and support for less favoured areas / high nature value farming to be brought within the ambit of Pillar 1 after-2013 and for a realignment of Community funds to fund them. **(Page 44)**

**Recommendation 6.** The Committee calls on the Welsh Government to make securing a maximum possible transition period for implementing the area-based payment a priority in its negotiations on CAP. **(Page 46)**

**Recommendation 7.** The Committee urges the Welsh Government to be fully engaged in discussions on the distribution of payments so as to ensure that the criteria used to determine the distribution of the area-based payment are favourable to Wales. **(Page 46)**

**Recommendation 8.** The Committee calls on the Welsh Government to work with its UK partners to ensure that the historically low allocation of RDP funds to the UK is addressed during this reform process. **(Page 47)**

**Recommendation 9.** The Committee urges the Welsh Government to press for payments under agri-environment schemes in future to be based on the true market value of goods rather than income foregone in farming. **(Page 47)**

**Recommendation 10.** The Welsh Government should push for reform of the food supply chain to be a priority under the new CAP so that farmers get a fair price for the food they produce from the market, thereby reducing the need in the long term for food production subsidies. **(Page 48)**

**Recommendation 11.** The Committee urges the Welsh Government to continue working towards ensuring that there are minimum changes to the Welsh LFA area. In the meantime, the Minister should prepare transitional support for any areas that do lose out as a result of the boundary changes. **(Page 49)**

**Recommendation 12.** The Welsh Government should lobby for continued support for sustainable food production in difficult to farm areas such as the Welsh uplands. **(Page 50)**

**Recommendation 13.** The Committee calls on the Welsh Government to investigate the benefits to Wales of a less favoured area scheme which incorporates support for high nature value farming. **(Page 50)**

**Recommendation 14.** Maintenance of the CAP as a common policy should be a priority for the Welsh Government. Consequently, the Welsh Government should oppose by all means possible any attempts by the UK Government and/or others, to renationalise the CAP either in part or in its entirety. **(Page 50)**

**Recommendation 15.** The Committee calls on the Welsh Government to reconvene the CAP Stakeholder Group immediately. **(Page 51)**

**Recommendation 16.** The Committee calls on the Welsh Government to take on board the views of stakeholders as expressed to the Committee, and to integrate the Committee's findings into its eventual response to the Commission's proposals. **(Page 51)**

**Recommendation 17.** The Welsh Government should play a full role in the negotiations on the future of CAP, and should maintain a direct dialogue with the European Commission and the UK Government. The Welsh Government should have a presence at the Agriculture Council and Special Agriculture Committee, as well as other meetings of the Council of Ministers (and its working groups) where CAP is discussed. **(Page 52)**

**Recommendation 18.** The Welsh Government should build alliances with other regions and states with whom it has a commonality of interest on CAP reform so as to maximise its influence and bargaining power. The Government should also make maximum use of the influence of Welsh MEPs under the new co-decision procedure. **(Page 52)**

# 1. Introduction and Background

---

## Origins of the Inquiry

### *The Reform of the CAP post-2013*

1. The reform of the Common Agriculture Policy (CAP) in 2013 is expected to result in fundamental changes to the policy.
2. When the CAP was originally established in the early 1960s the aim of the policy was to encourage farmers to produce more by offering subsidies and putting systems in place that would guarantee farmers a high price for their produce. By the 1980s this has led to large surpluses of products and calls for reform. This culminated in the last major reform of the CAP in 2003 which for the first time 'decoupled' payments from production. For the period after 2013, we are almost certain to see another fundamental reform of the SFP with a move to area-based payments.
3. Negotiations of the 2013 reform will be influenced by discussions on the EU Budget Review which will set the context for the formal negotiations on the financial perspectives post-2013. This budget review is likely to cover the period 2014-2020. The debate on the budget will inevitably be influenced by the current economic and financial climate which has seen governments across Europe seek to cut their spending.
4. It is within the framework of the next financial perspective that the future budget of CAP will be determined. Unlike past reforms of the CAP, both the Council and the Parliament will have to reach a joint agreement of any legislative proposals for reform. The number of Member States has also increased since the last major reform of the CAP in 2003.
5. The Commission launched a public debate on the future of CAP on 12 April 2010 inviting citizens, stakeholders and organisations to respond to four questions on what key principles should form the basis of a future CAP. Following this the Commission is expected to publish its Communication on the future of the CAP in the last quarter of 2010 and legislative proposals in the summer of 2011.

## ***Terms of Reference***

6. The Committee agreed the terms of reference for the inquiry into the Reform of the Common Agricultural Policy at its meeting on 4 March 2010. The aims of the inquiry were to:

- to assess the possible impact of reform of the CAP on Wales, and what outcomes would be most beneficial to Wales;
- to make recommendations to the Welsh Assembly Government regarding which policies it should advocate during the negotiation process;
- to influence the debate on CAP reform within the European institutions.

As part of the consultation process, the Committee asked interested parties to consider:

- what should the Welsh Government's priorities be in its negotiations on CAP reform;
- what should the balance be between Pillar 1 and Pillar 2 of the CAP;
- what should the CAP's central objectives be post 2013;
- to what extent should the CAP be a community policy and whether some renationalisation is desirable;
- to what extent is the Welsh Government's farming strategy, *Farming, Food and Countryside*, aligned with future CAP priorities;
- how should the Welsh Government engage with stakeholders as it prepares its position on reform of the CAP.

7. The Committee collected written evidence during March and April 2010, and received oral evidence at three Committee meetings on 28 April, 19 May, and 16 June 2010. A full list of responses and witnesses is found at the end of this report.

## ***Report***

8. The main body of this report is divided into three sections. The first section summarises the evidence the Committee received from

the Welsh Government regarding its current position on the future of CAP after 2013. The second section outlines the views of different stakeholders as presented to Committee. In the final section, the Committee outlines the conclusions it has drawn from the evidence received. We also refer in this section to the evidence received from the European Commission, as it provides a useful benchmark against which to consider the Committee's recommendations.

9. The Committee urges the Welsh Government to take our recommendations on board in drawing up its position on the Future of CAP after 2013.

## 2. The Welsh Government's Position

---

10. The normal procedure for a Committee inquiry is for Welsh Ministers to be the last witnesses to appear before the Committee, so that the Committee can question the Welsh Government in light of the evidence it has already received.

11. For this inquiry however, the Committee decided to reverse the normal process and invited the Welsh Government to outline its current position on reform of the Common Agricultural Policy (CAP) after 2013 at the outset of the inquiry. This allowed the Committee to use the Welsh Government's position as a benchmark when considering the other evidence presented to it, and for other witnesses to respond to the Welsh Government's position.

12. The main points of the Welsh Government's position are outlined below.

### **Key Objectives**

13. In her paper to the Committee, the Minister for Rural Affairs stated that she believed that CAP's underlying principles should remain the same:

“...I have no difficulty in accepting the under-lying and long-term key principles associated with the CAP; first to deliver food for people to eat; and, secondly to provide a reasonable income for farmers.”<sup>1</sup>

14. However, the Minister also told the Committee that a future CAP would need to reflect the new priority of climate change:

“Producing food in the context of the single farm payment and of changing climactic conditions, together with the need to reduce the impact of food production on greenhouse gas emissions, are probably new criteria for the common agricultural policy, and are not quite as evident in the current one as they may need to be in future common agricultural policies.”<sup>2</sup>

---

<sup>1</sup> Rural Development Sub-committee: *RDC(3)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs*, 28 April 2010, para. 13

<sup>2</sup> RoP, [para 150], 28 April 2010, Rural Development Sub-committee

## **Budget**

15. The Welsh Government told the Committee that Single Payment System (SPS) payments in Wales were worth £290 million in 2009 and according to Farm Business Income (FBI) figures for 2008-09 they accounted for £27,400 of the average farm income of £31,300.

16. CAP currently accounts for 40 per cent of the total EU budget, with annual funding of €42 billion. In its evidence, the Welsh Government highlighted the fact that the future CAP budget is dependent on the EU budget review for the 2014-2020 and that it was keen that the review did not affect CAP's delivery of the policy's key aims:

“It will be important to ensure that the outcome of the EU budget review does not undermine the ability of CAP to deliver on its key principles: food production and income support.”<sup>3</sup>

## **Structure**

17. The Welsh Government does not support the view outlined in the previous UK Government's *Vision for the Common Agricultural Policy* published in 2005 that there should be a considerable reduction in pillar 1 activities to allow focus on pillar 2 activities. The Minister told the Committee:

“That UK Government position was articulated by the UK Treasury around four years ago. I am on record as not sharing that view.”<sup>4</sup>

18. The Welsh Government recognises that the gulf in budget between Pillars 1 and 2 tends to give the impression that the rural development measures funded by Pillar 2 are not at the heart of CAP. It is clear to the Committee however, that the Welsh Government places a high value to the Rural Development Plan funded under Pillar 2. The Minister's evidence stated:

“Improving the environment, modernising, restructuring agriculture and improving product marketing and competitiveness are key aims under the Wales RDP together

---

<sup>3</sup> [Rural Development Sub-committee: RDC\(3\)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs, 28 April 2010, para. 17](#)

<sup>4</sup> RoP, [para 155], 28 April 2010, Rural Development Sub-committee



with supporting locally driven initiatives to deliver economic benefit at community level. These have been crucial activities for Wales since the advent of the RDP process in 2000. I would want to see a continuation of this approach.”<sup>5</sup>

## **Instruments**

### ***Direct Payments***

19. The Welsh Government supports the continuation of direct payments to farmers:

“In order to meet the challenges for agriculture post 2013 direct payments will need to continue and must be fair and legitimate, effective, simple to implement, sufficiently flexible and easy to justify and explain. A key consideration also is to strike the right balance in supporting income and rewarding the provision of public goods. It is not a question of either one or the other.”<sup>6</sup>

20. In the view of the Welsh Government, ‘striking the right balance’ does not involve raising the cross compliance standards under Pillar 1:

“I do not agree that it is appropriate to seek to raise the cross compliance standards under pillar 1 simply to raise the start point for farm-based land management actions under pillar 2.”<sup>7</sup>

21. The Welsh Government fully expects the Commission to propose that the SPS moves away from the current historic production model to an area based system from 2014.

22. Welsh Government officials have been working to assess the impact of an area based SPS on Welsh agriculture. Initial results seem to confirm that a move to area-based payments will lead to significant redistribution of direct payments across farms. Rory O’Sullivan, Director of Rural Affairs told the Committee:

“The work that we have done suggests that the smaller claimants, under £5,000, would be the main gainers and that

---

<sup>5</sup> RoP, [para 150], 28 April 2010, Rural Development Sub-committee

<sup>6</sup> [Rural Development Sub-committee: RDC\(3\)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs, 28 April 2010, para. 28](#)

<sup>7</sup> [Rural Development Sub-committee: RDC\(3\)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs, 28 April 2010, para. 25](#)

those who receive over £25,000 under the single payment scheme would be the losers, but it is not a uniform pattern. We are also trying to analyse it by sector, and we are looking at what this might mean for production, for farm incomes and, importantly, what the implications are for the rural economy.”<sup>8</sup>

23. The Welsh Government is keen that the impact of the redistribution of receipts should be mitigated by transitional agreements, covering as long a period as possible: ideally, for the whole 2014-20 period.

24. The Welsh Government believes that there is a recognition within the Commission that specific arrangements will be required to enable a ‘soft landing’ when moving from the historic model to an area payment scheme and that early indications suggest that ‘it is certainly willing to look at allowing us quite a long transition period’.<sup>9</sup>

### ***Market Intervention***

25. The Welsh Government is keen to see a reduction in the gap between EU and world food prices brought about by a move away from trade distorting measures such as import tariffs and export subsidies.

26. However, the Welsh Government also recognises the role of some market mechanisms in helping protect farmers’ incomes in a volatile market:

“Some of the market mechanisms provide an ability to have a safety net for production. Given the volatility of pricing in a number of agricultural sectors, there probably remains a case for retaining such a safety net for private storage.”<sup>10</sup>

### ***Rural Development Plan***

27. Whilst the Welsh Government recognises the importance of the Rural Development plan and wants to see some reforms to how Pillar 2 funding is delivered, with greater flexibility and less complexity. It is clear from the Minister’s statement to the Committee that securing such reforms to the administration of the RDP is a priority for the Government:

---

<sup>8</sup> RoP, [para 159], 28 April 2010, Rural Development Sub-committee

<sup>9</sup> RoP, [para 158], 28 April 2010, Rural Development Sub-committee

<sup>10</sup> RoP, [para 172], 28 April 2010, Rural Development Sub-committee

“If we can achieve anything through the process of the European discussions on the future of the CAP, it is that there needs to be a fundamental change to the demands on countries of the administration of the RDP. The strategic discussions and agreement must happen between Wales’s RDP and the European Commission. The auditory processes need to be there, as does transparency. However, the detail of the control on us and, ultimately, on the beneficiaries, is too much.”<sup>11</sup>

28. The Minister also made clear to the Committee that she intended to use the review of the CAP as an opportunity to address the historically low allocation of Pillar 2 funding that comes to Wales and the UK:

“I will want to raise the issue during the process of negotiation and discussion at a European level, namely that the historical allocation to the UK is around 3.5 per cent of the pillar 2 allocation, when it should be in the region of 12 per cent, if the objective criteria is met.”<sup>12</sup>

### **A Common Policy**

29. In its evidence, the Welsh Government recognised that CAP as a community policy has advantages and disadvantages for Welsh agriculture. According to the Government, benefits include the ability to benefit from EU funds in times of crisis, such as the recent EU Dairy Fund, and a level playing field across Europe in terms of regulations on food production. Disadvantages cited include being unable to compete on price with producers outside the EU, and the risk of policies which disadvantage Wales being agreed by Member States.

30. On balance however, the Minister for Rural Affairs appears to favour the continuation of CAP as a Common policy:

“My initial reaction to re-nationalisation is a cautious one.... The reality is that re-nationalisation of the CAP would require the UK Government to provide additional funding for Wales (and the rest of the UK) in order to remove the possibility of competitive disadvantage for UK farmers in the event that the

---

<sup>11</sup> RoP, [para 167], 28 April 2010, Rural Development Sub-committee

<sup>12</sup> RoP, [para 153], 28 April 2010, Rural Development Sub-committee

rest of the EU was to move beyond whatever “safety-net” receipt was available under a changed CAP regime. Such additional funding within the UK could prove difficult in the current economic and fiscal climate within the UK.”<sup>13</sup>

### **Influencing Negotiations**

31. The Welsh Government told the Committee that its strategy for influencing the debate on reform of the CAP involved maintaining a dialogue with DEFRA and with the EU institutions.

32. The fact that CAP now comes under the co-decision procedure means that the European Parliament will also have a significant influence on the reform process. The Minister for Rural Affairs indicated that she intended to use the influence of Welsh MEPs wherever possible to strengthen Wales’ voice in the European Parliament.

33. The Minister outlined to the Committee the avenues available to her in putting forward the Welsh position on CAP reform:

“I would always want to seek to represent the views of this Government and, I hope, the wider view in Wales directly to the European Commission and the European Parliament. Of course, as a Welsh Minister, I do not have a direct voice in the Council of Ministers, but we would seek to use all opportunities available to us, including, if necessary, a public discussion with the UK Government on any disagreements that might arise in this process. However, I hope that we will not get to that point and that we will be able to present a united front on behalf of farmers in Wales and throughout the member state.”<sup>14</sup>

### **Stakeholder Engagement**

34. In terms of stakeholder engagement, the Minister for Rural Affairs stated:

“When the stage is reached that the Commission puts forward proposals for the future direction of the CAP, the Welsh

---

<sup>13</sup> [Rural Development Sub-committee: RDC\(3\)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs, 28 April 2010, para. 33](#)

<sup>14</sup> RoP, [para 181], 28 April 2010, Rural Development Sub-committee

Assembly Government will move quickly to work alongside our partners in Wales to assess the implications. This process will also help to inform my position in terms of influencing the UK Government, with the other UK Administrations, on the UK negotiating line at the EU level.”<sup>15</sup>

---

<sup>15</sup> [Rural Development Sub-committee: RDC\(3\)-07-10: Paper 2: Inquiry into the Reform of the EU Common Agricultural Policy: Evidence from the Minister for Rural Affairs, 28 April 2010, para. 42](#)

### 3. Stakeholder Viewpoints

---

35. The Committee issued a public consultation inviting organisations and individuals to submit their views on the future of CAP after 2013. The Committee also held three evidence gathering sessions where we invited key stakeholders to present their views directly to Members.

36. A full list of consultation responses can be found at the end of the report.

#### **Key objectives**

37. There was a consensus among farmers' and land owners' organisations that the historical underlying objectives of CAP – ensuring food security while providing an adequate income for farmers – should remain the same.

38. There was an acknowledgement that these objectives now had to be achieved in a new context that included climate change, population growth and environmental protection, and that the future CAP should reflect this. Farmers' Union of Wales (FUW) told the Committee:

“...the central objectives of the CAP, as laid down in Article 39 of the Treaty of Rome, should be retained; namely to ensure the availability of agricultural produce to EU citizens and a fair standard of living for the agricultural community. However, a reformed CAP should also incorporate the ‘new challenges’ identified during the Health Check negotiations, namely climate change, renewable energy, management of water and biodiversity.”<sup>16</sup>

39. National Farming Union (NFU) Cymru told the Committee that there should be four underlying principles for CAP: simplicity; market orientation; competitiveness and productivity; and, commonality.

40. As well as supporting the original objectives, Country Business and Landowners Association (CLA) highlighted the fact that the CAP in future must also contribute to sustainable development and to competitiveness and knowledge-based ideas (the Lisbon agenda), as

---

<sup>16</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 4: Inquiry into reform of the Common Agricultural Policy - Response from FUW, 19 May 2010, para. 46](#)

well as be consistent with the Europe 2020 objectives of smart, sustainable, inclusive, greener growth.

41. Other witness, including the Countryside Council for Wales (CCW), Environment Agency Wales (EAW), Wales Environment Link (WEL) and the Royal Society for the Protection of Birds (RSPB) believed that the time had come for a fundamental shift in the purpose of the CAP.

42. CCW told the Committee that a reformed CAP would need to meet the challenge of ensuring that more food is produced by Europe in future to achieve food security, while at the same time reducing the environmental impact of production.

43. WEL and the National Trust stated that CAP should be driven by the need to end agricultural practices which damage the environment.

44. These organisations advocated a shift away from food production subsidies towards targeted support for the delivery of public goods, ecosystem services and sustainable food and energy production. EAW told the Committee:

“We have long advocated the need for the fundamental reform of the CAP and for a strategic approach to land management in Wales.... We recognise the CAP’s importance in securing food protection for a growing population and that it also needs to be viewed in the context of ecosystem services in the delivery of wider public goods. We welcome the European Commission’s acknowledgement that climate change, water management, biodiversity and renewable energy are key features to be addressed under CAP reform.”<sup>17</sup>

45. In their evidence, the RSPB stated:

“...there are real opportunities to re-focus agriculture support to ensure we can continue to produce high quality food whilst responding to key environmental challenges. These challenges include: halting the loss of biodiversity; better water management (in relation to both quality and quantity); and, climate change mitigation and adaptation.”<sup>18</sup>

---

<sup>17</sup> RoP, [para 119], 16 June 2010, Rural Development Sub-committee

<sup>18</sup> [Rural Development Sub-committee: RDC-CAP4: Inquiry into reform of the Common Agricultural Policy - Response from RSPB, p. 1](#)

46. Both CCW and EAW are members of the Land Use Policy Group (LUPG), and CCW referred in their evidence to the LUPG's vision for CAP<sup>19</sup> which advocates adding the two following objectives to those included in the Treaty of Rome:

- to provide environmental security through management of soil, air, water quality, biodiversity and cultural landscapes as well as addressing the challenges posed by climate change;
- to achieve sustainable farming and forestry sectors that have the capacity to deliver long-term food and timber security as well as other non-food services, thus contributing to environmental security and wider social benefits.<sup>20</sup>

47. CCW believed that updating the CAP's objectives in this way would make it easier for the wider public to understand the purpose and wider public benefit of the policy:

"I think that one could add some objectives to the current Treaty of Rome to make it much clearer what the CAP is about in terms of society's wider requirements. It would make it much easier to argue for a substantial budget. The Eurobarometer survey shows that 70 per cent of the public is supportive of farming and thinks that farming should do more for the environment, but very few of the public actually know what the Common Agricultural Policy is about. If you have a clear statement of what it is about, it is a lot easier to say why we need a reasonable budget."<sup>21</sup>

## **Budget**

48. Witnesses endorsed the figures presented by the Welsh Government showing the income from the CAP, and especially the Single Farm Payments was crucial to the viability of Welsh farm businesses.

---

<sup>19</sup> *Securing our Common Future through Environmentally Sustainable Land Management*, LUPG, 2009

<sup>20</sup> [Rural Development Sub-committee: RDC\(3\)-09-10: Paper 4: Inquiry into the Reform of the Common Agriculture Policy - Evidence from Countryside Council for Wales, 16 June 2010, para. 5.2](#)

<sup>21</sup> RoP, [para 139], 16 June 2010, Rural Development Sub-committee



49. Stakeholders also acknowledged that the current financial climate meant that there had to be a degree of realism regarding any increase to the CAP budget given the current pressure on public spending across Europe. Some organisations went as far as to state that they expected the budget to be cut, with RSPB telling the Committee that a decrease of 25 per cent - 30 per cent was possible.

50. All witnesses agreed that one of the Welsh Government's priorities when engaging with the CAP reform process should be to protect the overall CAP budget and the Welsh / UK allocation within it. There were differing views however as to the best way of justifying the CAP budget and therefore securing its future.

51. Some farmers' organisations felt that the challenges of food security, population growth and climate change meant that there was a strong case for increasing the CAP budget to deal with these 'central challenges of our age'. Future Farmers of Wales (FFW) told the Committee:

"We are all aware that there will be immense pressure on the CAP budget at the EU level in future years.... We have new priorities: climate change, research and development, and an increasing global population. Therefore, there are strong arguments for increasing that budget."<sup>22</sup>

52. EAW also believed that the fact that agriculture impacted on so many key policy areas justified the level of public spending on it. They told the Committee:

"...the arguments for an increase in the budgets are based on the multifunctional importance of agriculture – its role in communities, the benefits that it brings to the rural economy, the environment, and the landscape that rural and urban dwellers cherish.... In the same vein, farming can play a key role in mitigating and adapting to climate change, which is important, and is high on the agenda of society at large."<sup>23</sup>

53. NFU Cymru felt that greater emphasis needed to be put on CAP funding as investing in the future, so that the justification for the spending is clearer:

---

<sup>22</sup> RoP, [para 97], 19 May 2010, Rural Development Sub-committee

<sup>23</sup> RoP, [para 128], 16 June 2010, Rural Development Sub-committee

“If we are to receive extra money or maintain the budget that we have, we should be looking at it as an investment in the future in the same way as money for education is an investment in the future. So, we should move away from apologising for asking for the same amount of money and instead explain why we should have it and what benefits it will bring.”<sup>24</sup>

54. Other evidence presented to Committee suggested that a fundamental shift in how the budget was used was needed if it was to be protected. RSPB stated in their evidence:

“However, a CAP budget cannot be defended on the basis of making income support payments to a minority of EU citizens or to allocating approximately 80 per cent of its resources to just 20 per cent of total recipients. Any defence of the CAP budget needs to be accompanied by a clear vision for the CAP which recognises that, as currently constituted, the policy is largely failing to respond to key challenges or to ensure the provision of public goods.”<sup>25</sup>

55. WEL advanced a similar argument when they appeared before the Committee:

“If you strengthened what you do, tried to achieve more with that money – rather than 70 per cent of it going straight into income support – and if that money was moved into other areas in order to deliver a wider social benefit to everyone in Wales, there would probably be more scope for protecting that money, if you could demonstrate that all the people of Wales were benefiting from that spend.”<sup>26</sup>

56. CCW claimed that the strongest argument for maintaining the CAP budget was that of public goods, as outlined in the Institute of European Environmental Policy report produced for the Commission in 2009. The report defined two kinds of public goods: environmental and social. CCW explained how the concepts provided a linkage between food security and environmental services:

---

<sup>24</sup> RoP, [para 168], 19 May 2010, Rural Development Sub-committee

<sup>25</sup> [Rural Development Sub-committee: RDC-CAP4: Inquiry into reform of the Common Agricultural Policy - Response from RSPB, p. 4](#)

<sup>26</sup> RoP, [para 75], 16 June 2010, Rural Development Sub-committee

“The social public goods include things like community support and the infrastructure that you need to ensure long-term food security because, in our view, food security is not so much about producing a lot of food now, but about ensuring that you retain the capacity to produce enough food in the future, when you need to. So, that is about keeping the skills and critical mass that you need to ensure that you can ramp things up as and when you need to. So... this is one way in which you can draw together social and environmental public goods, which, in a sense, go hand in hand.”<sup>27</sup>

57. Another objective of reform that witnesses advocated to the Committee was to simplify CAP to reduce the amount spent on administration. Many witnesses considered this to be a particular priority given the pressure the CAP budget is bound to be under.

### **Structure**

58. FUW, NFU Cymru, FFW, Conwy Rural Partnership, National Sheep Association (NSA) and YFC Wales were all keen to see the two-pillar structure of CAP maintained.

59. These organisations were also united in the view that Pillar 1 should make up the bulk of CAP support and that there should be no further movement of resources from Pillar 1 to Pillar 2. Further modulation, it was argued, would threaten the viability of many farm businesses,

60. Some organisations suggested that too much emphasis in recent years had been put on Pillar 2, to the detriment of supporting farmers and food production. FUW told the Committee:

“The FUW recognises the importance of these new challenges [climate change, renewable energy, management of water, biodiversity], and therefore agrees that funding should be made available to address these. However, the Union does not believe that such funding should be provided by modulating Pillar 1 payments, as this undermines the viability of farm businesses, and threatens agricultural production and food security.”<sup>28</sup>

---

<sup>27</sup> RoP, [para 132], 16 June 2010, Rural Development Sub-committee

<sup>28</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 4: Inquiry into reform of the Common Agricultural Policy - Response from FUW, 19 May 2010, para. 42.](#)

61. Farmers' representatives were also of the view that modulation rates should be uniform across the EU, arguing that the voluntary modulation applied in the UK had put Welsh farmers at a competitive disadvantage and undermined the commonality of the CAP.

62. NFU Cymru outlined to the Committee their vision of how the two-pillar structure could look post-2013. This would comprise of a Pillar 1 which would include the main economic components of CAP. These would be determined at the EU level, and operate throughout the EU. The four main components would be: market support instruments; measures to support the functioning of agricultural markets; decoupled direct aids to producers; additional support for producers in less favoured areas.

63. Pillar 2 would, as now, be delivered at a national and regional level and focus on the resilience, competitiveness and environmental performance of the farming sector in meeting future challenges. Specifically, it would support: adjustment to more open and volatile agricultural markets; greater resilience to climate change; rewarding and encouraging further improvements in environmental performance.

64. The idea of a third pillar to support research and development was also mooted by NFU Cymru. However, there was no support for transferring funds from Pillar 1 to fund this work, and this proposal was not supported by any other witnesses.

65. Other organisations however, including CCW, EAW, WEL, RSPB and the National Trust believed that in the long term the CAP should move away from the two pillar structure to become an integrated land management policy.

66. The same organisations supported increased modulation and a greater emphasis on Pillar 2 actions in the short term, particularly agri-environmental schemes, to facilitate the transition to a unified agriculture and environment policy.

67. The vision outlined by the RSPB in their evidence was similar to that of the organisations who wished to see an end to the two pillar structure:

“In the short term, RSPB Cymru, through increased modulation would like to see greater funding for Pillar II to deliver environmental goods and services, whilst securing greater

provision of public goods through a more effective and efficient use and allocation of Pillar I funding. This is considered essential if these goods are to be delivered in any meaningful way. In the longer term we would not advocate the current Pillar I/Pillar II CAP structure but rather one overall fund under which Member States could implement a range of tiered payments within an overall EU framework. Budget allocations to Member States would be decided on the basis of objective criteria. At national level, funds would be allocated and priorities for expenditure determined by following a programming approach.”<sup>29</sup>

68. The National Trust told the Committee that a shift of funds to pillar 2 would help contribute to achieving Welsh Government policy objectives:

“An enlarged rural development budget would enable WAG to deliver the objectives of the *Environment Strategy*, particularly in relation to biodiversity and water, and to support the ambitious objectives of Glastir.”<sup>30</sup>

69. Pillar 1 of the CAP currently receives 100 per cent of its funding from the EU budget while funds provided under Pillar 2 via the Rural Development Plan are co-financed by Member States. Some organisations advocated that Pillar 2 should receive common funding.

70. CCW told the Committee that a strong theoretical case could be made for a reversal of the current situation regarding co-financing, and that the practical case would follow should the majority of funding be moved to Pillar 2:

“Since it can be argued the primary aim of European intervention is to address the kinds of challenges set out in the CAP Health Check, there would appear to be strong theoretical arguments for the EU to provide the bulk of Pillar 2 financing, whilst leaving it up to individual Member States to decide whether or not they wished to co-finance any available income support provided under Pillar 1. The fact that such arguments have been resisted on the grounds that they would erode the

---

<sup>29</sup> [Rural Development Sub-committee: RDC-CAP4: Inquiry into reform of the Common Agricultural Policy - Response from RSPB, p. 4](#)

<sup>30</sup> [Rural Development Sub-committee: RDC-CAP5: Inquiry into reform of the Common Agricultural Policy - Response from the National Trust, para. 2.5](#)

level playing field reflects the reality that at the EU level and also in many Member States, it is Pillar 1 that provides the largest proportion of the available support. A substantial shift at EU level towards Pillar 2 type measures (many of which can play an income support role, albeit their rationale is focussed on achieving rather more clearly defined outcomes) could mean that many Member States would begin to take a more flexible position on co-financing.”<sup>31</sup>

71. The CLA were of the view that it was unhelpful to use the pillar structure as the starting point for the debate as this inevitably polarised opinion. Instead, the initial focus should be on the outcomes and objectives of the policy with the structure being built around those. In any case, they argued, the division of measures between pillars was not as clear-cut as had been originally intended:

“The neat partitioning of measures by purpose or approach has not worked out. Much of Pillar 2 – in axis 1 – concerned with competitiveness of agriculture and forestry is essentially sectoral in approach; and it can be argued that much of the justification for the single payment in Pillar 1 is essentially territorial in the sense of ensuring a basic level of environmental management of the countryside.”<sup>32</sup>

And as a consequence:

“...let us be less dogmatic about the pillars; let us be clearer about what we want the policy to do, how it should be fairly funded and how the scheme should be effectively and efficiently managed for farmers and for the administration; and let us not get tied up in knots about pillars.”<sup>33</sup>

72. This view was supported by CCW, who cautioned against concentrating too much on the architecture of the CAP rather than its outcomes. They told the Committee:

“...if decisions are outside of our control and changes are made to the architecture, we have to have other justifications for our case for funding that are based on the outcomes rather than

---

<sup>31</sup> [Rural Development Sub-committee: RDC\(3\)-09-10: Paper 4: \*Inquiry into the Reform of the Common Agriculture Policy - Evidence from Countryside Council for Wales\*, 16 June 2010, para. 6.5](#)

<sup>32</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 5: \*Inquiry into reform of the Common Agricultural Policy - Response from CLA\*, 19 May 2010, p. 2](#)

<sup>33</sup> RoP, [para 149], 19 May 2010, Rural Development Sub-committee

the architecture.... Concentrating exclusively on the architecture might mean that our arguments would not be heard, whereas if we had arguments that were based on objectives, they would still be valued, regardless of the architecture.”<sup>34</sup>

73. Instead of a rigid two pillar structure, CLA proposed that CAP should be made up of five core elements if it was to achieve the overall objective of food and environmental security. These are: agricultural productivity, competitiveness and stability; a basic decoupled payment scheme; tiered agri-environment schemes; measures for marginal areas; and, wider rural development. These should be delivered and financed in whatever manner was most appropriate and effective, including combining elements where possible.

74. As an example, the CLA made the case for integrating many of the measures currently funded under Pillar 2 such as the core wide-application environmental schemes, and support for less favoured areas into the single payment scheme. They also suggested that making some Pillar 1 payments multi-annual and contractual in nature would help cut down the massive administrative costs associated with annual applications and payments under the current system.

75. NFU Cymru also supported bringing LFA support into the ambit of Pillar 1, as they believed it would better reflect that ‘first and foremost, farmers in LFAs are food producers’.

## **Instruments**

### ***Direct Payments***

76. NFU Cymru told the Committee that direct payments to farmers must remain at the core, comprising as they do 90 per cent of net farm income in the UK. This view was supported by FUW, and Conwy Rural Partnership who emphasised the need for SPS to continue providing farmers with a guaranteed minimum income:

“If the funding for direct payments under pillar 1 has to be reduced, it is important for there to be a basic income safety net, to guarantee European Union and Welsh farmers a stable income and entice them to continue production.”<sup>35</sup>

---

<sup>34</sup> RoP, [para 166], 16 June 2010, Rural Development Sub-committee

<sup>35</sup> RoP, [para 21], 16 June 2010, Rural Development Sub-committee

77. NFU Cymru outlined to the Committee the objectives they see as being fulfilled by the direct payments:

- “(i). They provide some compensation for farmers in the EU who meet higher production standards and who operate at higher social and labour costs than those in many third countries;
- (ii). They provide a degree of income stability to farmers which enable them to maintain productive capacity despite volatile agricultural markets;
- (iii). They provide security against which farmers can invest and leverage additional private investment from banks;
- (iv). They ensure the maintenance of agricultural activity across the EU, especially in more marginal areas of the EU such as Wales and where production decisions are more limited and costs often higher;
- (v). They provide an anchor point that ensures that farmers meet regulatory requirements that are relevant to food production and the management of farm land;
- (vi). They allow farmers to deliver a range of wider public benefits that flow from the management of agricultural land such as the maintenance of landscape features, habitats and the maintenance of soil, including as a carbon sink. These come as an addition to the basic consumer benefit of a secure supply of safe, high quality food;
- (vii). As decoupled payments they encourage farmers to respond to long-term market signals thereby assisting in the better functioning of agricultural markets (where production is unprofitable, production should fall, ultimately leading to a market correction to satisfy demand).”<sup>36</sup>

78. All witnesses supported moving to full decoupling of direct payments from production. NFU Cymru, FFW, CLA, and Welsh Lamb and Beef Promotion (WLBP) believed it would both allow and encourage farmers to be more responsive to the market. CCW, EAW, WEL, RSPB and the National Trust saw it as an essential step towards making the CAP more focussed on environmental goods.

---

<sup>36</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 3: Inquiry into reform of the Common Agricultural Policy - Response from NFU, 19 May 2010, para. 36](#)



79. RSPB and EAW highlighted how the current historical production based model directed payments to those farmers potentially causing the greatest environmental damage:

“...distribution is heavily skewed to the more intensively farmed areas – where farming practices are more likely to give rise to negative externalities such as water pollution, soil degradation and loss of biodiversity than to promote negative externalities.”<sup>37</sup>

80. FFW outlined how decoupling could help more young farmers enter the industry:

“The current historical basis of payments needs to be addressed. It definitely disadvantages new, younger farmers. There are many farmers who are no longer actively involved in food production who are getting vast sums of money, so that is the key thing that needs to be addressed.”<sup>38</sup>

81. There was some concern expressed however regarding the impact that a transition to an area-based system could have on Welsh farmers. FUW told the Committee:

“...there exist significant variations in terms of payments made per hectare for all farm types, and a transition to a simplistic flat-rate payment per hectare model, as is currently proposed under the CAP Health Check agreement, would represent significant disruption for Welsh farm businesses.”<sup>39</sup>

82. Witnesses suggested that a lot of work was still needed on how future payments should be allocated, and that a long transition period would be needed to minimise impact on farmers. In their evidence, NFU Cymru stated:

“Work is needed to determine the fairest and most objective scenario under which allocations should be made. Work is also needed to appreciate the impact of these scenarios on farmers. The negative effects of redistribution will need to be

---

<sup>37</sup> [Rural Development Sub-committee: RDC-CAP4: Inquiry into reform of the Common Agricultural Policy - Response from RSPB, p. 4](#)

<sup>38</sup> RoP, [para 82], 19 May 2010, Rural Development Sub-committee

<sup>39</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 4: Inquiry into reform of the Common Agricultural Policy - Response from FUW, 19 May 2010, para. 20](#)

minimised, which calls for a lengthy transitional period e.g. for 2020.”<sup>40</sup>

83. EAW also emphasised the need for a long transition period and for farmers to be prepared for the change:

“Post 2014-2020, there is a strong likelihood that the SPS will be paid on an area basis in Wales. If so, transitional arrangements will need to be put in place and the farming industry will need to adjust to the change. We would emphasise the need for the farming industry to use its existing SPS payments to prepare for a period of subsidy decline. After ten years of SPS, the farming industry needs to restructure to prepare for the changes ahead.”<sup>41</sup>

84. While NFU Cymru wanted to see cross-compliance and the associated bureaucracy reviewed and simplified, there was a consensus among a large number of witnesses including CCW, EAW, RSPB, WEL and the National Trust that cross-compliance measures provided an opportunity to ensure that the SPS contributes to the provision of public goods. CCW told the Committee that a priority for the Welsh Government should be to:

“Ensure that an area-based Single Payment Scheme contributes to the provision of public goods through the application of cross compliance, in particular by expanding the use of GAEC (Good Agricultural and Environmental Condition) to tackle the challenges posed by climate change.”<sup>42</sup>

85. One suggestion made by CCW was that receipt of funds under the SPS be conditional upon participation in the entry-level agri-environmental scheme.

### ***Market Instruments***

86. There was a strong consensus among farming organisations that market instruments should remain available under CAP to alleviate the effects of market volatility. FUW told the Committee:

---

<sup>40</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 3: Inquiry into reform of the Common Agricultural Policy - Response from NFU, 19 May 2010, para. 37](#)

<sup>41</sup> [Rural development Sub-committee: RDC\(3\)-09-10: Paper 3: Inquiry into the Reform of the Common Agriculture Policy - Evidence from Environment Agency Wales, 16 June 2010, para. 3.15](#)

<sup>42</sup> [Rural Development Sub-committee: RDC\(3\)-09-10: Paper 4: Inquiry into the Reform of the Common Agriculture Policy - Evidence from Countryside Council for Wales, 16 June 2010, para. 3.2](#)

“A safety net needs to be in place to minimise market volatility. The one thing that will drive farmers out of production as much as low returns is price volatility.”<sup>43</sup>

87. FFW emphasised how market volatility was a disincentive for young farmers to invest in the future of the industry:

“We also need the CAP to remove the volatility of global food markets as much as possible and to help us to compete against global competitors, such as the US, that are heavily subsidised. So, there is a role there to create fairness and remove volatility. It is very difficult for a young person to make long-term business plans, given the fluctuations in global food and commodity prices that we have seen in recent years. So, there is definitely a role to play there.”<sup>44</sup>

88. FFW also expressed strong opposition to any moves to liberalise international trade that could have an adverse effect on Welsh farmers. CCW on the other hand referred to the need for CAP to be sustainable internationally and to recognise Europe’s place in the world.

89. Farmers’ organisations were keen to emphasise to the Committee that they believed the CAP to be necessary primarily because of the failure of the market to adequately reward farmers, and that farmers would much prefer to be sustained by the market rather than by subsidies. FFW told the Committee:

“If farmers were paid a fair price for their produce, we would not need or want much additional subsidy. So, the CAP needs to focus on the whole supply chain.... It seems a crazy situation that, to a large extent, the CAP is supporting supermarkets’ profits.... There would be huge administrative savings to be made if the food supply chain worked properly. We are in a situation in which the market has failed the food supply chain.... That is a big part that the CAP needs to play.”<sup>45</sup>

90. NFU were also of the view that one of the major problems that should be addressed by CAP is the failure of the market to provide a profit to farmers:

---

<sup>43</sup> RoP, [para 177], 19 May 2010, Rural Development Sub-committee

<sup>44</sup> RoP, [para 82], 19 May 2010, Rural Development Sub-committee

<sup>45</sup> RoP, [para 68], 19 May 2010, Rural Development Sub-committee

“The major challenge for the next reform is to continue the process of adjustment towards market orientation by addressing the failure of EU markets to deliver profitable returns to farmers.... NFU Cymru considers that a legally enforceable EU code of conduct aimed at grocery chains and food manufactures that prevents abusive practices is necessary.”<sup>46</sup>

91. This view was endorsed by the National Trust:

“For the longer term the goal should be for the market to recognise the true costs of production.”<sup>47</sup>

### ***Rural Development Plan***

92. NFU Cymru, FUW, NSA and CLA all supported the Welsh Government’s intention to use the review of CAP as an opportunity to address Wales’s historically low allocation of funds under Pillar 2, which in their view does not reflect Wales’s environment and needs.

93. NFU Cymru told the Committee:

“The allocation key used to determine support available to member states must be revised to give member states such as the UK a fairer allocation. This could reflect the same basis as Pillar 1 allocations, or could be re-based on Member States recent expenditure under rural development programmes (i.e. including expenditure raised through compulsory and voluntary modulation).”<sup>48</sup>

94. There was also broad support from stakeholders for reforming how the RDP is administered so as to simplify it and cut down on costs. Representatives of Conwy Rural Partnership told the Committee that the bureaucracy involved in implementing the plan was complex and difficult and led to frustration.

95. FFW told the Committee:

“A huge amount of the budget is lost on administration. That causes great frustration to many farmers in Wales. The sheer

---

<sup>46</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 3: Inquiry into reform of the Common Agricultural Policy - Response from NFU, 19 May 2010, para. 51](#)

<sup>47</sup> [Rural Development Sub-committee; RDC-CAP5: Inquiry into reform of the Common Agricultural Policy - Response from the National Trust, para. 2.6](#)

<sup>48</sup> RoP, [para 23], 19 May 2010, Rural Development Sub-committee

number of people employed to administer these schemes take up a fairly large percentage of the total budget. The system should be simplified to get money to the people who are producing the food. A strong, viable agricultural primary production base will naturally lend itself to looking after many of the issues that we talk about in Pillar 2 in relation to rural development and rural economies.”<sup>49</sup>

96. FFW identified agri-environments schemes, training, on-farm energy production and research and development as areas that should be prioritised under the RDP.

97. NFU Cymru were of the view that RDP needed to be refocused on agricultural issues rather than more general rural development, which they believed should be addressed by other structural funds.

98. Other witnesses including CCW, RSPB and EAW called for a greater focus on environmental services, and particularly climate change, within Pillar 2. These organisations also called for increased modulation so as to ensure sufficient funds for these actions to be carried out.

99. The National Trust, WEL and NFU Cymru called for the ‘income foregone’ formula used to calculating payments for environmental goods to be replaced so that payments reflect the actual market value of the goods provided. The National Trust told the Committee:

“The current system of linking rural development payments to income foregone is inefficient. An alternative is required so payments reflect the value of the good delivered rather than just the costs of an action. We urge WAG to work with the other UK and EU Governments to devise a suitable alternative.”<sup>50</sup>

100. NFU Cymru stated:

“There is an urgent need to review income foregone calculations to enable agri-environmental payments to offer genuine incentives to farmers and to take account of the benefits delivered rather than the income foregone. This would

---

<sup>49</sup> RoP, [para 100], 19 May 2010, Rural Development Sub-committee

<sup>50</sup> [Rural Development Sub-committee; RDC-CAP5: Inquiry into reform of the Common Agricultural Policy - Response from the National Trust, para. 4.2](#)

help significantly in increasing the appeal and thus uptake of schemes such as Glastir.”<sup>51</sup>

101. CCW suggested that a themed approach to the RDP might be more appropriate than the current axis based approach, citing climate change as an example of a theme which was relevant to actions carried under all four current axes.

### ***Less Favoured Areas***

102. There was consensus in the evidence received that additional support for areas considered to be less favoured should continue in some form or another. This is consistent with the evidence received by the Committee as part of its recent inquiry into the Future of the Uplands.

103. That inquiry left the Committee in no doubt that support to these areas was identified as vital to the economy of the more marginal areas of Wales. As a result, the Committee is convinced that the removal of support to these areas could lead to the abandonment of much agricultural land in the Welsh uplands and elsewhere.

104. The Committee also notes that preliminary modelling work carried out by the Welsh Government suggests that farmers in areas classed as less favoured will on average benefit from a move to an area-based single payment.

105. There was a difference of opinion among the witnesses as to how and why support for these areas should be targeted. NFU Cymru were keen that support to these areas be used to support food production rather than the provision of environmental goods, while CLA believed that there was a need to look at such areas in a more positive light by emphasising the value of their environmental services rather than their agricultural handicap:

“European farming is characterised by having a significant area of land occupied by long-established, relatively low intensity, mostly livestock grazing farming systems in marginal areas.... These farming systems are economically fragile even with current supports. Without increased support for these systems large tracts of land will be abandoned with associated

---

<sup>51</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 3: Inquiry into reform of the Common Agricultural Policy - Response from NFU, 19 May 2010, para. 31](#)

environmental, cultural and social loss. The CAP has a special role to help avoid such abandonment, but we urge that we will only properly confront and deal with these issues if we switch to viewing these areas as environmentally favoured rather than agriculturally less favoured and suffering permanent handicap.”<sup>52</sup>

106. The CLA viewpoint was supported by the National Trust, WEL and RSPB, who all believed that there would be a great benefit to Wales from moving CAP resources towards the provision of environmental goods and that the Welsh uplands were particularly well placed to benefit from such a move.

107. These groups advocated that support should be directed at ‘high nature value’ farms as part of a tiered CAP structure. High nature value farms are farms that exist in areas where farming is economically marginal but environmentally rich and are therefore well placed to deliver environmental public goods such as carbon storage and flood risk management. These groups stated that given that farms in less favoured areas in Wales can largely be considered as ‘high nature value farms’ a switch to providing additional support to farms in these areas for their environmental value as opposed to their geographical location could be of benefit to Wales.

108. WEL told the Committee:

“The next tier would be the higher nature value farms, a reflection of the environmental advantage that Wales has. Rather than being disadvantaged, in some ways, Wales has a great advantage in its environmental assets. So, we want to see money going in to support farmers, to retain farming communities in those areas that deliver the sort of things that we are talking about.”<sup>53</sup>

109. NFU Cymru emphasised again the need to revisit the income foregone formula in the context of support for less favoured areas.

---

<sup>52</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 5: Inquiry into reform of the Common Agricultural Policy - Response from CLA, 19 May 2010, p. 3](#)

<sup>53</sup> RoP, [para 80], 16 June 2010, Rural Development Sub-committee

## A Common Policy

110. FUW, NFU Cymru, YFC Wales, FFW and CLA were all opposed to any moves to renationalise the CAP. FUW told the Committee:

“In the absence of Regulations that require all Member States to provide the same level of support for farm businesses, renationalisation would undermine the core principles of a *common* European agricultural policy, and would lead to significant differences between Member States in terms of agricultural support. This, in turn, would severely distort commodity markets in a way that contravenes the principles of the common market.”<sup>54</sup>

111. EAW were also opposed to reforms that would lead to differential levels of funding between member states:

“From the Agency’s point of view, CAP must remain a centrally funded policy. The worst step would be the threat of the principle of two commonalities through the renationalisation of agricultural policy. Doing that would mean that some member states may tweak the state aid rules in a way that would benefit their particular countries, but it would introduce an element of distortion into the marketplace, which we see as the last thing that is required at this moment in time.”<sup>55</sup>

112. NFU Cymru and YFC Wales also expressed the view that the current CAP already allows too much discretion for Member States, leading to uneven funding and unfair competition. Examples cited include voluntary modulation and national envelopes.

113. Those organisations who favoured a move to a single-pillar, tiered CAP, believed that a programming approach would be appropriate in combining both commonality and flexibility. The RSPB told the Committee:

“Many of the challenges being faced require a Europe wide response, however the EU is too diverse for a ‘one size fits all’ solution. The programming approach, currently applied in Rural Development policy is a way to combine subsidiary with EU

---

<sup>54</sup> [Rural Development Sub-committee: RDC\(3\)-08-10: Paper 4: Inquiry into reform of the Common Agricultural Policy - Response from FUW, 19 May 2010, para. 50](#)

<sup>55</sup> RoP, [para 179], 16 June 2010, Rural Development Sub-committee



level policy coherence. Therefore, RSPB Cymru advocates that general rules, guidelines and European priorities should be decided in common, with Member States and regions determining the details of schemes, relative budgets allocations and national/regional priorities for approval by the Commission. The Commission would also monitor programme delivery to ensure coherence and to prevent misuse.”<sup>56</sup>

### **Stakeholder Engagement**

114. Both NFU Cymru and FUW expressed concern about how the Welsh Government has consulted stakeholders regarding reform of the CAP, and suggested that more effective engagement was needed.

115. FUW, EAW, WEL and RSPB all called for the re-establishment of the Welsh Government’s CAP External Stakeholders Group which the Committee understands was disbanded in July 2009.

116. The Church in Wales warned of the danger of relying only on stakeholder groups, and emphasised the need to engage with smaller groups including focus groups of individual farmers. CCW also stated that engaging with individual farmers was a critical issue.

117. Comparisons were drawn with Scotland, where the Scottish Government has established an independent inquiry into the future of agricultural support in Scotland under the Chairmanship of Brian Pack OBE. The inquiry has been gathering evidence from a wide range of stakeholders, and is expected to publish its report this summer.

---

<sup>56</sup> [Rural Development Sub-committee: RDC-CAP4: Inquiry into reform of the Common Agricultural Policy - Response from RSPB, p. 7](#)

## 4. Conclusions and Recommendations

---

### Key Objectives

118. The Welsh Government told the Committee that it believes the CAP's key objectives as set out in the Treaty of Rome – food security and income support for farmers – should remain. The Government also acknowledged that the new CAP would have to reflect the new challenge posed by climate change.

119. There was a division among stakeholders as to whether the original objectives remained sufficient either to justify continued public spending on the scale of the CAP budget, or to meet current agricultural and environmental challenges. Some stakeholders wanted a shift in the objectives of the CAP towards providing environmental security and sustainable land management.

120. The European Commission told the Committee that:

“...the bulk of the common agricultural policy should be to continue to guarantee Europe's capacity to produce.... We want to provide an income safety net that will allow them to be able to produce and, by doing so, to further contribute to the environmental policy, which is a much wider policy than the CAP.”<sup>57</sup>

121. The Committee believes that ensuring food security and providing sufficient income for farmers should remain at the core of the CAP.

122. However, the Committee believes that the CAP should also recognise new priorities including the challenge of climate change and ensuring environmental security. Integrating such new priorities into the CAP is essential if the policy is to be fit for purpose and provide value for money in future.

123. While food production should remain the primary role of farmers, the funding of environmental services through the CAP provides a new opportunity and source of income for farmers. The Committee considered such opportunities during its recent inquiry into the Future of the Uplands, and believes that the CAP provides a means of realising them.

---

<sup>57</sup> RoP, [para 34], 19 May 2010, Rural Development Sub-committee

124. The Committee believes that the CAP's objectives for the coming period should be to ensure both food and environmental security, and to provide an adequate income for farmers. So that farmers are fully able to contribute to both objectives, their income should include a fair price for food products, and recompense that reflects the true value of the non-market goods provided by them.

**The Welsh Government should ensure that ensuring food security and an adequate income for farmers remains at the core of the CAP.**

**So as to make the CAP's aims more relevant to current challenges, and to secure new sources of income for Welsh farmers for the provision of public goods, the Welsh Government should lobby for environmental security to become a new key objective of the CAP.**

### **Budget**

125. The European Commission told the Committee that, along with climate change and the economic crisis, the review of the budget was one of the three driving forces for reform of the CAP.

126. The Commission also told the Committee that while it was too soon to discuss concrete numbers in terms of the CAP budget:

”The share of the CAP in the overall community budget has been gradually and steadily declining. We do not expect this trend to change in the future.”<sup>58</sup>

127. There was consensus among stakeholders that defending the CAP budget should be one of the Welsh Government's negotiating priorities. The challenges of climate change, food security, and maintaining agriculture throughout the EU were among the reasons given why the CAP budget should be protected.

128. Some stakeholders felt that there would be a greater justification for protecting the budget if greater emphasis was put on environmental services within the CAP.

129. The Committee believes that it is essential that the CAP budget is protected if challenges such as climate change, food security,

---

<sup>58</sup> RoP, [para 25], 19 May 2010, Rural Development Sub-committee

supporting agriculture and environmental security are to be met. The CAP is the one of the few means of providing financial incentive for positive environmental behaviour in the EU, and it is more important than ever that it is properly resourced.

130. The Committee believes that a reduction in the budget would not only make the CAP less able to address these issues, but would also threaten the livelihoods of thousands of farmers in Wales.

131. The Committee believes that a revision of the CAP's key objectives, and a refocusing on the policy's key outcomes would allow a stronger case to be made for maintaining or increasing the CAP budget.

**The Committee urges the Welsh Government to make protecting the CAP budget a priority for its negotiating strategy. The Government should ensure that the reform process does not result in a reduction in the sum of CAP monies coming to Wales after 2013.**

### **Structure**

The European Commission told the Committee that it does not foresee any great transformation to the CAP's two-pillar structure:

“We do not anticipate, nor do we advocate, a radical transformation. We do think that our current structure fits our targets pretty well.”<sup>59</sup>

132. Both the previous<sup>60</sup> and current UK Government<sup>61</sup> have advocated a significant shift of resources from Pillar 1 to Pillar 2. The Welsh Government told the Committee that it does not support such a rebalancing of CAP funding.

133. There was no agreement among stakeholders on the issue of the CAP's structure, with opinion divided into two broad camps.

134. Farmers' organisations wanted to see the two-pillar structure continue, with the vast majority of resources being allocated to Pillar

---

<sup>59</sup> RoP, [para 36], 19 May 2010, Rural Development Sub-committee

<sup>60</sup> HM Treasury, *A Vision for the Common Agricultural Policy*, 2005

<sup>61</sup> <http://www.euractiv.com/en/cap/eu-ministers-defiant-farm-budget-cuts-news-494794>

1. Any increase in modulation of Pillar 1 payments in order to fund more Pillar 2 actions was strongly opposed.

135. Other organisation advocated abolishing the two-pillar structure in the long term and putting in its place one integrated land-management policy comprising of different elements. In the short-term, these organisations wanted to see more modulation to transfer funds from Pillar 1 to Pillar 2.

136. Other stakeholders warned against concentrating too much on the structure, saying that the focus should be on the objectives as these provide the justification for CAP funding. The Committee is very sympathetic to this view, and believes that the structure should be a secondary consideration compared to the objectives and outcomes.

137. The Committee believes that the current two-pillar structure is a historical construct that results in an artificial and unhelpful distinction between agricultural support and rural development, and which has a tendency to polarise opinion and skew the debate.

138. The Committee believes that it is the objectives and outcomes of CAP which should form the starting point for any discussion on its reform, and that the structure should be built around these.

139. Bearing in mind the Committee's conclusions on the CAP's key objectives, and the need to modernise the policy in order to maintain the budget, the Committee believes that CAP should in the long term move towards being a single integrated policy incorporating food production and the provision of environmental services. The integrated policy would comprise of many of the elements that are already included in the CAP and would include: direct payments supporting food production; agri-environment schemes; support for less favoured areas and high nature value farming; research, development and competitiveness funding; and, support for rural communities.

140. The distribution of the budget between the various elements of the CAP should reflect the core objectives of ensuring food and environmental security and providing an adequate income for farmers.

141. The Committee accepts that the Commission has stated that the two-pillar structure will remain for the coming period, but believes that the current reform process should start to move the CAP towards an integrated policy.

142. The Committee believes that an important first step towards rationalising the CAP structure would be to move agri-environmental schemes and support for less favoured areas / high nature value farming from Pillar 2 to Pillar 1 so that all land based payments are integrated within the same structure.

143. The Committee believes that the expanded Pillar 1 should continue to be funded from the Community budget, with no co-financing, and so a realignment of the budget between Pillar 1 and 2 will be needed to reflect the new distribution of measures.

144. The expansion of Pillar 1 in such a manner would provide a clear signal that the provision of environmental services sits alongside food production at the heart of the CAP, and that the Commission is willing to back up the objective of environmental security with money from the EU budget.

145. Further, as well as bringing all land based payments together in Pillar 1, the Committee believes that such a reform would lead to a more coherent Pillar 2 concentrating on developing both the industry and rural communities' ability to adapt for the future. It would also facilitate a move to one integrated policy at some point in the future.

**The Welsh Government should support the principle of the CAP becoming one integrated policy in the long term, bringing to an end the artificial and unhelpful distinction between Pillar 1 and Pillar 2.**

**In the short term, the Welsh Government should lobby for agri-environmental schemes and support for less favoured areas / high nature value farming to be brought within the ambit of Pillar 1 after 2013 and for a realignment of Community funds to fund them.**

### **Direct Payments**

146. The Committee was left in no doubt that the SPS scheme that provides direct payments to farmers to support food production is absolutely crucial to the economic viability of farms in Wales.

147. Both the Welsh Government and stakeholders accepted that a move to area-based payments was inevitable and that the Welsh

agricultural industry should be preparing for the change. Both Government and stakeholders also supported a long transition period so as to give farmers the maximum possible time to adapt.

148. The European Commission told the Committee that there was still much work to be done in deciding how the payments would be distributed:

“On the harmonisation of support, the big debate is whether we move towards a full, flat rate across the EU or towards a flat rate that will be calibrated for income differences among member states, and also for issues related to the delivery of basic public goods.”<sup>62</sup>

149. The Committee was heartened to hear that the Commission was fully aware of the importance of direct payments to Wales:

“We have clearly seen that while, on average, the share of subsidies in total agricultural income in old and new member states is between 30 per cent and 40 per cent, in the extensive livestock sector, it is close to 100 per cent. Therefore, it is these types of regions, such as Wales, that will suffer most if we move away from support, or if we introduce dramatic changes to the level of support.... We believe that, if we want to have an environmentally and territorially balanced agriculture in Europe, we have to take into account the potential costs that we will face if we move into a model that ignores the characteristics such as the ones you describe.”<sup>63</sup>

150. The Committee believes that direct payments to farmers must remain a central part of the CAP as they are vital in maintaining the economic viability of farms in Wales. The Committee supports the move to area-based payments as a more rational method of distributing payments than the current historic production-based model.

151. To minimise the disruption to the agricultural industry, the Committee endorses the Welsh Government’s position in calling for as long a transition period as possible for the move to area-based payments. Ideally, the Committee would like to see this period extend to 2020.

---

<sup>62</sup> RoP, [para 12], 19 May 2010, Rural Development Sub-committee

<sup>63</sup> RoP, [para 47], 19 May 2010, Rural Development Sub-committee

152. The Committee believes that cross-compliance criteria for the SPS should be fit for purpose and reflect current priorities.

**The Committee calls on the Welsh Government to make securing a maximum possible transition period for implementing the area-based payment a priority in its negotiations on CAP.**

**The Committee urges the Welsh Government to be fully engaged in discussions on the distribution of payments so as to ensure that the criteria used to determine the distribution of the area-based payment are favourable to Wales.**

### **Rural Development Plan**

153. The Welsh Government told the Committee that its priorities were to secure reforms on how the RDP was delivered in order to make it less bureaucratic, and to redress the historical low allocation of Pillar 2 funding to Wales and the UK.

154. Stakeholders fully supported the case for Wales getting a fair allocation of RDP funding, and for simplifying how the RDP is administered so as to make it less bureaucratic and complex.

155. The European Commission told the Committee that the allocation of rural development funding to each member state is something that would have to be addressed during the reform process:

“There is an allocation key that applies to the new member states, and there is an historical allocation of rural development to the 15 member states of the old EU that reflected different priorities in the past. This cannot continue post-2013, when we will have the full alignment of direct payments for all member states and when the current distribution will expire.”<sup>64</sup>

156. There were some suggestions that the RDP should move away from an Axis-based structure to a thematic approach that would prioritise issues such as climate change.

157. The evidence received by the Committee also supported a move to payments under agri-environment schemes being based on true

---

<sup>64</sup> RoP, [para 40-41], 19 May 2010, Rural Development Sub-committee



market value rather than income foregone for any environmental goods provided under the RDP. Again, this is an issue that came to the fore during the Committee's recent inquiry into the Future of the Uplands.

158. The Committee fully endorses the Welsh Government's position regarding securing a fair allocation for RDP funding for Wales, and simplifying the RDP implementation process.

159. The Committee has an open mind as to the future structure of the RDP, but believes that priorities must include climate change, research and development, supporting new entrants, training, and on-farm energy production.

160. The Committee believes that payments under agri-environment schemes, whether they remain under the RDP or move to Pillar 1, should reflect the true market value of goods rather than income foregone in farming.

**The Committee calls on the Welsh Government to work with its UK partners to ensure that the historically low allocation of RDP funds to the UK is addressed during this reform process.**

**The Committee urges the Welsh Government to press for payments under agri-environment schemes in future to be based on the true market value of goods rather than income foregone in farming.**

### **Market intervention**

161. The Welsh Government told the Committee that it was keen to see an end to the distorting effects of export subsidies on world food prices, but that it believes some instruments for market intervention should remain available to protect farmers from the effect of market volatility.

162. Stakeholders from the farming sector emphasised the disruptive effect that market volatility had on the industry, and how it limited farmers' ability to invest in their businesses. They were very keen therefore that market intervention at times of crisis remained within the CAP.

163. Farmers' organisations were also keen to point out that the reason that food production subsidies were necessary in the first place was because of the inability of the market to pay farmers a fair price for their produce, and that the CAP should seek to address this malfunction of the market.

164. The European Commission suggested that this was an issue that was coming increasingly to the fore:

“We have seen that what happened with the food crisis – or what was called a food crisis – was a certain degree of market failure with respect to the transparency of price moves, which has also indicated the very weak bargaining power of farmers in certain sectors of the economy.... this is another area where we think we can contribute to improving the performance of the market and, therefore, mitigate the stress from the financial and economic crisis.”<sup>65</sup>

165. The Committee supports the Welsh Government's position on export subsidies, and believes that the CAP must reflect Europe's responsibility towards the rest of the world, particularly developing countries.

166. Due to market volatility, and the potentially catastrophic effects that this could have on the farming industry, the Committee believes that some instruments for intervening in the market as a last resort must remain.

167. In previous reports on Food Production and Promotion and on the Dairy Industry, the Committee has called for a UK Ombudsman to be established to ensure that farmers get a fair price for their produce.

168. Given the international nature of the food trade, and the CAP's key objective of securing a fair income for farmers, the Committee supports the current ongoing work at a European level in relation to supply chain contracts and believes that reform of the market so that farmers receive a fair price for their products should become an increased priority for the CAP in the coming period. This would enable a greater share of farmers' income in Wales to come from the market.

**The Welsh Government should push for reform of the food supply chain to be a priority under the new CAP so that farmers get a fair**

---

<sup>65</sup> RoP, [para 30], 19 May 2010, Rural Development Sub-committee

**price for the food they produce from the market, thereby reducing the need in the long term for food production subsidies.**

### **Less Favoured Areas**

169. The Committee heard both during the course of this inquiry and the inquiry into the Future of the Uplands, that the additional support provided by the LFA scheme to marginal areas was crucial to the economy of those areas.

170. While all stakeholders wanted support for marginal areas to continue, there was disagreement among stakeholders as to how that support should be provided. Farming organisations wanted the support to be for food production in these difficult to farm areas, while environmental groups believed there was a more positive case to be made for looking at these areas as ‘environmentally favoured’ and for payments to reflect the ecosystem services provided by them.

171. The Committee believes that the CAP should continue to provide support for sustainable food production in difficult to farm areas such as the Welsh uplands. Food production in the uplands should complement the provision of other services and play a positive role in enhancing the upland environment.

172. Given the extent of the LFA in Wales, it should be a Welsh Government priority to ensure that substantial additional support for these areas continues.

173. The Committee believes that Welsh farmers would get greatest benefit from a scheme which combines the objective of supporting food production in these areas with that of payment for the non-market ecosystem services provided by ‘high nature value’ farms. Such a scheme could make a significant contribution towards preventing land abandonments in rural communities in Wales.

**The Committee urges the Welsh Government to continue working towards ensuring that there are minimum changes to the Welsh LFA area. In the meantime, the Minister should prepare transitional support for any areas that do lose out as a result of the boundary changes.**

**The Welsh Government should lobby for continued support for sustainable food production in difficult to farm areas such as the Welsh uplands.**

**The Committee calls on the Welsh Government to investigate the benefits to Wales of a less favoured area scheme which incorporates support for high nature value farming.**

### **A Common Policy**

174. Stakeholders believed that ensuring a level playing field and fair competition among EU farmers was a central purpose of the CAP, which would be endangered by any re-nationalisation. Consequently, there was no support among stakeholders for re-nationalisation of the CAP, though some highlighted the benefits of the programming approach in giving flexibility in implementing some aspects of the policy.

175. Though it recognised advantages and disadvantages of the common policy, the Welsh Government did not support the re-nationalisation of CAP, particularly given the pressures on Government spending in the current economic and financial climate.

176. The Committee opposes any move towards re-nationalising the CAP, and is concerned at suggestions in the past by the UK Government that it would seek to use the post-2013 reform process to renationalise many elements of the policy.

177. The Committee believes that re-nationalisation would weaken the ability of the Welsh Government to support Welsh farmers by making it dependent on securing funds from the UK Government to do so. As a result, Welsh farmers would potentially find themselves at a competitive disadvantage compared to their European neighbours.

**Maintenance of the CAP as a common policy should be a priority for the Welsh Government. Consequently, the Welsh Government should oppose by all means possible any attempts by the UK Government and/or others, to renationalise the CAP either in part or in its entirety.**

## **Stakeholder Engagement**

178. Stakeholders told the Committee that they were disappointed with the level of engagement so far, and wished to see the CAP Stakeholder Group reinstated.

179. The Welsh Government told the Committee that it intended to engage with stakeholders once the Commission's proposals are published in the Autumn. This would help inform its response to those proposals.

180. The Committee welcomes the Welsh Government's intention to engage with stakeholders in Wales to inform its response to the Commission's proposals.

181. However, the Committee is disappointed that the Government has not sought to work with its partners to draw up a Welsh vision for CAP reform prior to the Commission's announcement. In the absence of a lead from the Welsh Government, the Committee hopes that this report will provide a starting point for a debate on what kind of CAP is best for Wales.

**The Committee calls on the Welsh Government to reconvene the CAP Stakeholder Group immediately.**

**The Committee calls on the Welsh Government to take on board the views of stakeholders as expressed to the Committee, and to integrate the Committee's findings into its eventual response to the Commission's proposals.**

## **Influencing Negotiations**

182. There was a consensus in the stakeholder evidence that it was extremely important that Wales, and the Welsh Government have a strong voice in the negotiating process.

183. The Welsh Government told the Committee that they intended to maintain an ongoing dialogue with the EU Institutions and with DEFRA. The Government also acknowledged the potential of Welsh MEPs to influence the process in view of the new co-decision procedure.

184. The Committee welcomes the Commission's undertaking to maintain a dialogue with local and regional governments:

“On the process, the only thing that I can tell you is that we are going to be open to any suggestions that will come from local government....It is always possible, and we are always open to any other type of formal or informal participation in any working groups that you may have, or in any specific questions you may have.”<sup>66</sup>

185. The Committee believes the Welsh Government should use all avenues open to it to influence the negotiations on the reform of the CAP. This should include directly influencing the European Commission and Parliament as well as doing so via the UK Government and Welsh MEPs.

186. The Committee understands that Welsh interests are often more aligned to those of other Member States and regions than to other parts of the UK. The Committee would therefore urge the Welsh Government to make maximum use of all possible avenues of influence including, building allegiances with other European regions which share Welsh interests and objectives regarding the CAP.

**The Welsh Government should play a full role in the negotiations on the future of CAP, and should maintain a direct dialogue with the European Commission and the UK Government. The Welsh Government should have a presence at the Agriculture Council and Special Agriculture Committee, as well as other meetings of the Council of Ministers (and its working groups) where CAP is discussed.**

**The Welsh Government should build alliances with other regions and states with whom it has a commonality of interest on CAP reform so as to maximise its influence and bargaining power. The Government should also make maximum use of the influence of Welsh MEPs under the new co-decision procedure.**

---

<sup>66</sup> RoP, [para 51], 19 May 2010, Rural Development Sub-committee

## Witnesses

---

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home/bus-committees-third-rd-agendas.htm>

*28 April 2010*

Elin Jones	Minister for Rural Affairs
Rory O’Sullivan	Welsh Assembly Government

*19 May 2010*

Anastassios Haniotis	European Commission
Rhys Lougher	Future Farmers of Wales
Dylain Jones and Owain Rhys Evans	Wales Young Farmers Clubs
Mary James and Ed Bailey	The National Farmers Union Wales
Nick Fenwick and Gareth Vaughan	Farmers’ Union of Wales
Julian Salmon and Professor Allan Buckwell	Country Land and Business Association

*16 June 2010*

Goronwy Edwards and Susan Owen Jones	Conwy RDP Local Partnership
Eifion Jones	Anglesey RDP Local Partnership
Arfon Williams	Wales Environment Link
Simon Neale and Richard Davies	Environment Agency Wales

Morgan Parry and  
Brian Pawson

Countryside Council for Wales



## List of Written Evidence

---

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at

[http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home/inquiries-3/rdc3\\_inq-cap/rdc-cap-responses.htm](http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-rd-home/inquiries-3/rdc3_inq-cap/rdc-cap-responses.htm)

<i>Name</i>	<i>Organisation</i>	<i>Reference</i>
Elin Jones	Minister for Rural Affairs	RDC(3)-07-10: Paper 5
Rhys Lougher	Future Farmers of Wales	RDC(3)-08-10: Paper 1
Dylan Jones and Owain Rhys Evans	Wales Young Farmers Clubs	RDC(3)-08-10: Paper 2
Mary James and Ed Bailey	The National Farmers Union Wales	RDC(3)-08-10: Paper 3
Nick Fenwick and Gareth Vaughan	Farmers' Union of Wales	RDC(3)-08-10: Paper 4
Julian Salmon and Professor Allan Buckwell	Country Land and Business Association	RDC(3)-08-10: Paper 5
CIlr Goronwy Edwards and Susan Owen Jones	Conwy RDP Local Partnership	RDC(3)-09-10: Paper 1
Arfon Williams	Wales Environment Link	RDC(3)-09-10: Paper 2
Simon Neale and Richard Davies	Environment Agency Wales	RDC(3)-09-10: Paper 3
Morgan Parry and Brian Pawson	Countryside Council for Wales	RDC(3)-09-10: Paper 4

Reverend Richard Kirlew	The Church in Wales	RDC-CAP1
	National Sheep Association	RDC-CAP2
	National Farmers Union	RDC-CAP3
	RSPB	RDC-CAP4
	National Trust	RDC-CAP5
Dr Tim Peppin	Welsh Local Government Association	RDC-CAP6
	Wales Environment Link	RDC-CAP7
D K Thomas	Welsh Lamb and Beef Producers Ltd	RDC-CAP8
Nicholas Fenwick	Farmers Union of Wales	RDC-CAP9
Susan Owen Jones and Ga�lle Croisier	Conwy County Borough Council	RDC-CAP10
	Environment Agency Wales	RDC-CAP12
Gwyn Howells	Meat Promotion Wales	RDC-CAP13
	Country Business and Land Association	RDC-CAP14
	Future Farmers of Wales	RDC-CAP15
	Wales Young Farmers Club	RDC-CAP16
	Countryside Council for Wales	RDC-CAP17