



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Reform to the Common Agriculture Policy**

DATE **21 October 2011**

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

On 12 October, the European Commission published draft legislation for further reform to the CAP that, when agreed, will be implemented on 1 January 2014. The reform proposals cover the regimes on direct payments to farmers and rural development for 2014-2020.

I can broadly welcome that the current two pillar structure for the CAP is to be retained. Pillar 1 covers direct payments and market support with Pillar 2 covering rural development.

I welcome also that, on direct payments, there is continued recognition for the CAP to provide income support for farmers, to support food production and to deliver environmental outcomes. The proposals for rural development will provide greater flexibility than is currently the position and will enable the Welsh Government to shape the successor Wales Rural Development in a way that can meet the needs of Wales and our rural communities. More specifically, when we have the final agreed package, it will be for the Welsh Government to take decisions on how the reforms take effect in Wales.

The key elements of the proposals are as follows:

Direct Payments

- The Single Payment Scheme will be known as the Direct Payment. It will comprise a Basic Payment with a Greening payment. There is a mandatory payment for young farmers. A Small Farmers Scheme and additional payments for areas subject to “natural constraints” would be optional.
- All payments would need to be met from within the financial ceiling allocated to Wales. The amount within the ceiling will be subject to decisions on the EU budget 2014-2020 (the Multi-Annual Financial Framework) and the overall budget for the CAP.

- Only farmers who received the Single Payment in 2011 will be able to receive payment in 2014 with some exceptions such as accessing support from the National Reserve contract.
- Area-based payments will be introduced from 2014 and will be 100 per cent area-based by 2019.
In 2014, the area-based element is set at 40 per cent.

Flexibility between Pillars

- Member States may transfer up to 10 per cent of their annual national ceilings to support rural development activity delivered under Pillar 2.
- Several Member States, including the UK, would have the discretion to transfer to Pillar 1 up to 5 per cent of the EU funding under Pillar 2

Greening

- The Basic Payment is subject to farmers also meeting mandatory requirements relating to crop rotation, permanent grassland and ecological focus areas.
- The Greening Element will be 30 per cent of Wales' financial ceiling. Organic land and designated land qualify for payment.

Active Farmer

- Payments may not be made where the annual amount of direct payments is less than 5 per cent of the total receipts that the farm enterprise obtained from non-agricultural activities in the most recent fiscal year; or where it cannot be demonstrated that a minimum level of agricultural activity has been undertaken.

National Reserve

- The priority is to support young farmers. The Reserve is funded by a deduction of up to 3 per cent of the financial ceiling relating to the Basic Payment.

Areas with Natural Constraints

- Optional payments can be provided to areas of natural constraints. The nature of the constraints would need to be agreed at a UK level. A deduction of up to 5 per cent from the national financial ceiling would provide the funding for the discretionary payment.

Small Farmers Scheme

- Farmers claiming €100 or more or with more than 1 hectare of eligible land can opt to participate in the Small Farmers Scheme. They would be entitled to an annual payment of between €500 and €1000. There would be less stringent cross-compliance requirements and exemption from greening.
- The current regulations state that this scheme is compulsory.

Voluntary Coupled Support

Funded by a deduction of up to 10 per cent from the financial ceiling, this is a mechanism to provide additional support to maintain production in vulnerable farming sectors that have important socio-economic and/or environmental considerations. Funding would be provided by a deduction of up to 10 per cent from the financial ceiling.

Pillar 2 proposals

- The proposals as they relate to the successor Wales Rural Development Plan are relatively straight forward and, as the draft legislation currently stands, present little cause for concern.
- I welcome the removal of the axes structure and the more flexible approach on how the EU funding can be deployed. There is a requirement to ensure at least 25 per cent of the EU funding is allocated to support and at least 5 per cent for LEADER activities.

There is a requirement that there should be a common strategic approach for the use of EU funding under the RDP, Structure Funds and the European Fisheries Fund. Again, I welcome as it mirrors the way that the Welsh Government will want to develop a coherent approach on how we will invest these European monies to the benefit of Wales and our communities

The move to area-based payments is fully justified. It is untenable to suggest that payments based on production in 2000-2002 can remain valid. The issue for Wales is that 100 per cent area payments have to be achieved in a 5 year period, and that, from 2014, there is a requirement that the area element is set at 40 per cent. I will aim to seek a longer transitional period and certainly press that it should be for the Welsh Government to decide the stepped-change to realise the 100 per cent area payment.

The “greening” proposals present a rigid approach and I would prefer the Commission to provide a wider menu of options where there would be greater flexibility of choice. I would need also to secure recognition that the progress we have made in Wales through existing agri-environment schemes, and planned for Glastir, will not be undermined.

On the Pillar 2 proposals, that I can broadly welcome, a key challenge is to ensure that Wales, and the UK, receives a fairer share of the EU funding that will be made available.

It is likely that final decisions will not be reached until the end of 2012. The EU Council of Agriculture Ministers opened the debate on the future direction of the CAP in Luxembourg on 20 October. I attended as part of the UK Ministerial negotiating team as will be my intention for future Council meetings. In parallel, I will be maintaining my dialogue with MEPs and the Commission to ensure that within the UK negotiating framework the needs of Wales and Welsh farming are clearly and properly represented.

It has to be acknowledged that it is important to understand the detail within the CAP. A particular disappointment within the proposals is that the Commission appears to be bringing more complexity on the administration of the CAP. This presents additional burdens for the Welsh Government and on farmers also. I will be seeking that the UK negotiating position presses hard to bring greater simplification to the reform package than currently appears to be the case.

It is a matter of public record that the Welsh Government does not share the UK Government's view on reducing the size of the EU budget overall and that for the CAP in particular. Despite this difference, I am committed to working constructively with Ministers in London and my counterparts in Scotland and Northern Ireland to deliver a viable outcome for the UK – and for Wales. I will ensure that Wales will play a positive and constructive role in shaping the overall UK position and approach. I have already made it clear to UK Government Ministers that Wales's ambition is to be a UK team player.

I will ensure that all Members are kept fully involved and informed as the Government formalises its response to these proposals.

In addition, the Environment and Sustainability Committee has established a Task and Finish Group to examine CAP proposals. The Government will work with the Committee to help facilitate this inquiry and will provide all necessary information to Members to help them in their work. To keep you all up to date, I will make regular statements to ensure all Members are informed as the process unfolds.