



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Amgylchedd a Chynaliadwyedd: Grŵp Gorchwyl a Gorffen ar y Polisi Amaethyddol Cyffredin

The Environment and Sustainability Committee: Common Agriculture Policy Task and Finish Group

**Dydd Iau, 15 Mawrth 2012
Thursday, 15 March 2012**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Vaughan Gething	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rebecca Evans	Llafur Labour
Llyr Huws Gruffydd	Plaid Cymru The Party of Wales
William Powell	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Antoinette Sandbach	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Y Gwir Anrhydeddus/Rt Hon Jim Paice AS/MP	Gweinidog Gwladol dros Amaethyddiaeth a Bwyd, Adran yr Amgylchedd, Bwyd a Materion Gwledig Minister of State for Agriculture and Food, Department for Environment, Food and Rural Affairs
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Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Catherine Hunt	Dirprwy Glerc Deputy Clerk
Nia Seaton	Gwasanaeth Ymchwil Research Service
Alun Davidson	Clerc Clerk

Dechreuodd y cyfarfod am 2.01 p.m.
The meeting began at 2.01 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Vaughan Gething:** Good afternoon, everyone, and welcome to this formal meeting of the common agricultural policy task and finish group of the National Assembly for Wales. As you know, we are in the first phase of our work, having issued our initial findings and suggestions on the process of CAP reform. We are very fortunate to be joined today by Jim Paice MP, the United Kingdom Minister of State for Agriculture and Food. This meeting is held in public, so please turn off your mobile phones, as I have done. The microphones will come on automatically, and there are headphones in front of you, Jim, so that you can hear the translation service if Members choose to ask their questions in Welsh.

2.02 p.m.

**Ymchwiliad i'r Diwygiadau Arfaethedig i'r Polisi Amaethyddol Cyffredin—
Trafodaeth gyda'r Gweinidog Gwladol dros Amaethyddiaeth a Bwyd (Adran yr
Amgylchedd, Bwyd a Materion Gwledig)**

**Proposed Reforms to the Common Agricultural Policy—Discussion with the
Minister of State for Agriculture and Food (Department for Environment, Food
and Rural Affairs)**

[2] **Vaughan Gething:** We will start with you, Jim; do you wish to make a few introductory remarks on the UK's current position on CAP reform? We will then move to questions from Members of the task and finish group.

[3] **The Minister of State for Agriculture and Food (Rt Hon Jim Paice MP):** Good afternoon, ladies and gentlemen. Before one considers what reforms are appropriate, one has to look at the situation that we face and the macro-economic and environmental situation around the world. The fact is that a year ago, the UK Government's chief scientific adviser, Sir John Beddington, published the Foresight report, which has widely been seen almost as the gospel regarding what food supplies the world is going to require over the next 40 years and the difficulty of producing what may be an increase of 100% in our food requirements against a background of shrinking resources and concern about the impact on our planet. All of this will happen against a background of climate change that will make it almost impossible to grow food in some parts of the world. That background is important, because it means that, in planning any future policy, we need to do so in a way that takes into account that the climate change scenario appears to make northern Europe even more important for food production. It also means that we need to be developing policies that encourage an increase in production and productivity and yet, at the same time, that those policies have a minimal impact on our environment and resources, whether they are related to energy requirements, carbon emissions or water.

[4] Against that background, we are disappointed that the European Commission's proposals for the next round of the CAP do not meet those objectives. The rhetoric is good; it talks about increasing productivity, the environment and the need for more sustainable production, but we do not think that the proposals really meet that rhetoric. Looking at key areas in particular, first, we believe that the most important part of the CAP, in the longer term, is what we currently call pillar 2, the rural development programme, because it provides for the ability to make targeted payments for specific public goods, whether they are environmental or whether they are to help businesses to become more competitive and productive, save energy, water or other resources—something that we wish to do more of in England.

[5] Set against that, the vast bulk of the common agricultural funds go to pillar 1, the single farm payment. We believe that the background that I painted a minute or two ago creates a once-in-a-generation environment in which we should be thinking about phasing out the direct, uncoupled single farm payment. We have believed for a long while that it is inevitable that it will go in time. I do not want to put a particular date on it, and certainly, no-one is proposing that it should happen within this seven-year period—that position has sometimes been misrepresented. However, we think that we should be setting out on a path, with a plan, which is why I emphasise the importance of pillar 2 money.

[6] However, the Commission's proposals are very much about complicating pillar 1, because it is talking about the 5% slice for less favoured areas—or areas of natural constraint, as they are now going to be called—and the 30% greening element. I am sure that you will want to question me on that, so I will not go into detail about that now. All of this means that we have a set of proposals that we think are very complicated. They go against the desire for simplification, which the whole Council of Ministers wants. Indeed, 25 of the member states

signed a letter to the Commission a year ago asking for a much simpler set of proposals. We do not think that this will deliver the improved competitiveness of the industry, let alone the required drive towards sustainability.

[7] I should not be only critical. There are one or two bits that we welcome, particularly the proposal to substantially increase funds for research. We think that that is a good idea. There are clearly issues with regard to the detail of it, but, in principle, we strongly support it.

[8] **Vaughan Gething:** Thank you for those opening remarks. I would like to pick up on one question before we move to questions from other Members. With regard to your very interesting comments about pillar 1 and pillar 2, part of what we are looking at is the allocation of pillar 2 moneys and the basis on which development fund moneys are given to the UK, and then, of course, to Wales. We understand that the UK and Welsh Governments share the position that they want to revisit the way in which those moneys are allocated and move away from the historic basis. Can you confirm where you are in your discussions with other states about the potential to do that? To what extent do you think the UK's position is capable of having an influence across the rest of the European Union on this point?

[9] **Mr Paice:** Yes, of course. Your understanding is perfectly correct. We believe that the UK receives a disproportionately low share of pillar 2 funding, and therefore likewise Wales and the other devolved administrations. It is entirely based on the historical approach, and we think that it is time to move away from that. The Commission's proposals are very light on detail about how it would distribute pillar 2 funding. It talks about a more objective approach, but it does not provide much detail. So it is difficult to draw any conclusions as to what that would mean for the UK or Wales.

[10] With regard to the work that we are doing, we are working very closely with a number of other member states—those with a like-minded approach to things and to economics and agriculture in particular. We are all working hard to try to get some flesh on the very skeletal comments that the Commission has made so far on pillar 2 funding. We have also directly asked Commissioner Ciolos when he will be able to produce some draft figures and proposals for allocations, and I am afraid that, despite being pressed by many member states, he is still of the position that it will not happen until after the conclusion of the CAP budgetary talks, which we anticipate will be in December.

[11] We think that the heads of Government summit in December will make the overall decisions about the EU budget and, within that, the CAP budget and, probably—if last time around, 2005, is anything to go by—it will also set the allocations for pillar 1 and pillar 2. It is perhaps worth mentioning that, at the last time round in Berlin, Tony Blair as the then Prime Minister was, in my view, stitched up by President DeGaulle—Chirac. [*Laughter.*] I have been around for a long while, but not that long. At the time, Chirac wanted to defend pillar 1 payments for French farmers and although there was potential for a better allocation in pillar 2, it did not come about, because the determination to cut overall spending on the CAP meant that pillar 2 was cut at the last minute. I hope that we do not see a repeat of that arrangement. We will press for a much fairer allocation for the UK and, through the UK, for all the devolved administrations.

[12] **Vaughan Gething:** Of course, there is a French election around the corner.

[13] **Mr Paice:** That is why we do not expect anything until afterwards.

[14] **Vaughan Gething:** No, indeed. We will move to Llyr Huws Gruffydd, then Rebecca Evans. You may need your headphones to hear the interpretation, which is on channel 1.

[15] **Llyr Huws Gruffydd:** Rwyf eisiau **Llyr Huws Gruffydd:** I want to ask a few

holi un neu ddau gwestiwn cyffredinol am y broses yn gyntaf, yn hytrach na mynd ar ôl elfennau penodol. Down at y rheini nes ymlaen, rwy'n siŵr. Mae'n amlwg bod nifer o feysydd lle mae cytundeb ar yr hyn sydd ei angen o safbwynt y gwledydd datganoledig o fewn y Deyrnas Unedig a Llywodraeth y Deyrnas Unedig. Beth yw eich barn ynglŷn â rhai o'r meysydd lle bydd yn anodd cael cytundeb o fewn y Deyrnas Unedig?

general questions about the process, first of all, rather than pursuing specific elements. I am sure that we will address those a little later. It is obvious that there are a number of areas where there is agreement on what is required from the point of view of the devolved nations within the United Kingdom and the UK Government. What is your opinion on some of the areas on which it will be difficult to reach consensus within the UK?

[16] **Mr Paice:** The area where there is most disagreement is over our belief that the funding for pillar 1 should be reduced. We believe that for two reasons. The first is the reason that I gave, that we genuinely think that there will be an opportunity for farmers to earn a greater share of their income from the market because of the huge increase in global demand for food. However, we also think that, in the current economic circumstances facing the whole of the EU and many other countries, it is unreasonable not to expect the CAP and, ideally, the whole EU budget to be put under considerable pressure. With public expenditure being cut, as we know, across virtually every other part of life, why should the CAP or the EU budget be immune? However, I recognise that, frankly, those who do not have to pay the bills take a slightly different view on that and there is disagreement.

[17] As far as the other issues are concerned, I believe that there is general agreement on greening, and I am sure that we will come back to that. There is some dissent, particularly from Northern Ireland, over the issue of capping. That is a feature of Northern Ireland farms; I believe that they think that there is only one farm in Northern Ireland that would be affected by it. Those are the main areas where there may be disagreement.

[18] I am pleased that all the Ministers across the different parts of the UK generally agree. We generally agree on the weaknesses in the greening proposals and the need for better ones. We generally agree on the proposals for active farmers, in terms of only giving the money to people who are actively farming who will have to do something to the land—that is generally supported across the piece. On the negative, we also agree on the proposal about your share of the income and the idea of linking it somehow to your tax receipts; it is generally viewed with horror by everyone and we agree on that too. Frankly, it sometimes pays individuals to show a little dissent publicly, but, when it comes down to it, all of us are working pretty closely together.

[19] **Llyr Huws Gruffydd:** Diolch am yr ateb hwnnw. Felly, yn y meysydd lle mae gwahaniaeth barn o fewn y Deyrnas Unedig, sut fydd y gwahaniaethau barn hynny yn cael eu hadlewyrchu yn y trafodaethau rhyngoch a'r Comisiwn Ewropeaidd?

Llyr Huws Gruffydd: Thank you for that response. Therefore, in the areas where there is a difference of opinion within the UK, how will those different views be reflected in the discussions between you and the European Commission?

2.15 p.m.

[20] **Mr Paice:** I have to be absolutely clear about this: there is only one member state, and that is the UK. The UK will do the negotiations with the Commission. We obviously discuss regularly, either bilaterally or periodically with all of us around the table, with colleagues from the devolved administrations, all the areas of agreement and disagreement that we must come to a final view on at the end of day. Where possible, that is a consensual view, but if there has to be a decision, the reality is that the UK Government does the negotiations. However, wherever possible, we try to take on board the views of our

colleagues, but I cannot get away from the fact that, at the end of the day, the member state is the UK.

[21] I need to add to that the Commission itself only recognises the UK as the negotiator. This is not documented, so I cannot provide clear evidence, but the Commission has regularly made it clear to us that it finds it confusing sometimes to have representations from Ministers from one of the devolved administrations without it going through the normal UK channels. That is the harsh reality of it, but we will try, wherever possible, to come to agreement with our colleagues, and, as I have just described, in virtually every area we agree. However, if we cannot reach a consensus, ultimately, the UK Government will make the decisions and do the negotiations.

[22] **Llyr Huws Gruffydd:** Rwy'n cymryd eich bod yn gyfforddus â sefydliadau megis y Cynulliad hwn yn cyflwyno ein safbwyntiau yn uniongyrchol i'r Comisiwn Ewropeaidd drwy lythyr fel y mae'r grŵp hwn wedi'i wneud. **Llyr Huws Gruffydd:** I assume that you are comfortable with organisations such as this Assembly presenting our views directly to the European Commission by letter as this group has done.

[23] **Mr Paice:** Yes, indeed, and I have seen your correspondence. I am more than happy for you to make your representations, of course. I was talking about within the negotiation process. We have not mentioned the fact that this time, for the first time, it is also with the equal partner of the European Parliament. Wales, Scotland and Northern Ireland all have their MEPs who will be involved.

[24] **Llyr Huws Gruffydd:** Rwy'n falch eich bod wedi cyfeirio at hynny achos dyna oedd fy nghwestiwn nesaf, sef sut ydych yn rhagweld y bydd *co-decision* yn effeithio ar y broses. **Llyr Huws Gruffydd:** I am pleased that you referred to that because that was to be my next question, that is, how you anticipate that co-decision will impact upon the process.

[25] **Mr Paice:** Clearly, it has a huge potential to slow the process down dramatically. However, the chairman of the Committee on Agriculture and Rural Development of the European Parliament, Paolo De Castro, has assured me privately, when we have met several times, that he is determined not to let that happen. He does not want to allow the Parliament to be seen as a drag on the process. Indeed, that is why it has brought forward its original timetable so that it will now be expecting the reports from the rapporteurs in June and why it expects the agriculture committee to start considering amendments in the early autumn, which is three or four months earlier than the timetable he was talking about at the beginning of this year. I do not think that the overall timetable progress will be slow because of the tripartite arrangements. The bigger likelihood of cause of a slow process is the fact that there are 27 member states. Do not forget that the last time that we went round this track there were only 15, and when I first got involved in agricultural politics in Europe there were nine member states, which made decision making much easier compared with 27.

[26] **Vaughan Gething:** I would like to pick up on one point that was raised. In terms of reaching the UK position, how regularly do you take account of the views of devolved administrations first? For example, before you announce the UK position on an issue, do you talk to Alun Davies, for example, about what the view from Wales might be on what you are considering setting out?

[27] **Mr Paice:** The direct answer to your question is 'yes, we do'. I am actually going to meet him after this session. At every council meeting, the norm is that, first thing in the morning, before council starts, we sit round a table much like this one in Brussels and the UK Minister, whether it is me or one of the others, goes through the agenda and says what we are

thinking of saying. All the Ministers of the devolved administrations or their representatives will be present around the table and will have their say and, wherever possible, we try to tailor our comments to accommodate the complete view around the table. That is the semi-formal approach to it. We also have periodic meetings, usually in London, but sometimes in one of the other devolved areas, and we often have bilateral meetings with individual Ministers from devolved administrations. Then, at official level, there is a tremendous amount of communication going on. It is not all done at ministerial level. I genuinely think—and I hope that Alun Davies would endorse this fact—that we have quite a good relationship.

[28] **Rebecca Evans:** The committee has been keen to get some clarity on whether the regional administrations will be able to develop sub-regional payments. What discussions have you had with the European Commission on this?

[29] **Mr Paice:** We have had several. Our clear understanding is that the answer is that they will be able to. As you probably know, in England, where we have already virtually got to a flat-rate payment—we will have done by next year—we have three different levels of payment. We believe that, if we decide to continue with that, we will be able to, and we are 99.9% certain that every other devolved area will be able to have its own sub-regional payments, if that is what they want to do. Obviously, at the end of the day, rather than my doing it, the Commission can interpret what it is proposing, but our interpretation is that you will be able to have sub-regional payments, as you put it.

[30] **Rebecca Evans:** Thank you. What assurances has the UK Government received on the fair allocation of pillar 2 payments that will reflect the past spend on pillar 2 as has been achieved through modulation?

[31] **Mr Paice:** That is the question that I was trying to answer a few minutes ago. We have not had many assurances at all from the EU. It is very vague. Yes, it has said that it wants to move away from the historic basis of allocations to a more objective approach, and it has listed a few criteria against which that more objective approach could be based. However, it has given no further indication as to how it would actually happen. So, yes, we have an assurance that it wants it to be more objective, but I am afraid that that is as far as it goes at the moment. However, as I said, we are pressing hard, not least to get some indication as to what the cash value might be, because then there is that read-across. You used the word ‘modulation’. As you know, the present proposals allow for a member state to move 10% of pillar 1 into pillar 2 if it so wishes. The reason for that is not that we want to reduce pillar 1 payments when other countries are not doing so, but clearly, as far as England is concerned—and we are pretty clear that this applies right across the UK—we need to cover ourselves in case the pillar 2 allocation is inadequate for the environment schemes to which we are already committed.

[32] **Rebecca Evans:** In the absence of a specific payment for high nature value farming, what thought has been given to how you could use the tools in the proposal to support high nature value farming?

[33] **Mr Paice:** I do not want to keep going back to what we do, but in England we already do this. We have what we call a higher level stewardship, which is precisely aimed at that sort of thing. We have the broad and shallow entry-level stewardship, which covers 70% of our land already, and we have the much higher level stewardship for the best—they may be SSSIs or areas of high nature value in other respects. That is the importance of flexibility. I mentioned earlier one thing that we welcome in the Commission’s proposals, and, in this context, there is another, in that it is proposing to abolish the three axes of pillar 2 to give more flexibility to member states in terms of how they spend their pillar 2 money. That would allow you to do just that.

[34] **Antoinette Sandbach:** Minister, you were just talking about your higher rate scheme. There has been some discussion about what should happen about the statutory management requirements for birds and habitats, which relate to the single farm payment, which is pillar 1. Currently, under the single farm payment, there is no additional payment for farmers who have sites of special scientific interest or particular birdlife on their farms in Wales. What is the UK position in relation to the birds and habitats SMRs and whether they should be reintroduced? As I understand it, they are not in the current Commission proposals.

[35] **Mr Paice:** In principle, we welcome simplification of the cross-compliance rules for the single farm payment. However, we have got to be realistic about it. We certainly do not want to see a lowering of any standards. Therefore, SMRs to do with looking after wildlife or bird populations, or whatever, have a pretty sensible objective to us. We certainly would not be supportive of their removal. What we are trying to remove are other things that add unnecessary burdens on farmers. There are several other SMRs where that would apply. There are obviously obligations within the cross-compliance rules. You have to comply with all existing legislation. With regard to the birds and habitats directives, although we have some doubts about the idea of double penalties—meaning that you can be prosecuted for breaking the law and lose your single farm payment—because I think there are genuine morality questions about that, we would certainly expect farmers to continue to comply with directives.

[36] If I may just take it on a stage, you talked about farmers not being paid for them; they are not paid for them anywhere in Europe—it is just an SMR, and it does not carry any direct payment. However, that leads us back to the whole issue of greening, high nature conservation and where you get the best value for the taxpayer and the environment—whether it is, as the Commission is proposing, out of the greening of pillar 1, or, as we still maintain is better, the more targeted payments out of pillar 2, where you can start to tailor your schemes to deliver specific benefits, something we are starting to work on in England, instead of a broad, shallow approach. We still want every farmer to be able to go into it, but you can say that, on this farm, the objective is to increase the number of lapwings, for example, or whatever it may be. You can tailor the measures in the scheme more specifically to a desired outcome. That is the sort of flexible but targeted approach you can never get out of pillar 1. That is why we still maintain that, ideally, we would far rather see all the greening elements done out of pillar 2, because we think that it could be more effective.

[37] **Antoinette Sandbach:** Given the current inequalities in Europe between various hectare payments or single farm payment per hectare—there is a substantial difference in the payment rates between a number of countries—what is the UK's views on those substantial inequalities in payments across various countries?

[38] **Mr Paice:** We have a great deal of sympathy with those countries—mainly new member states—that currently find themselves with very much lower single farm payments than some other member states. It is not always the oldest ones that are at the top of the tree although, as a generalisation, that is true. Therefore, we sympathise with the Commission's proposal to bring about an element of convergence. However, at the moment, there is absolutely no sign of any consensus around the council table on the subject. Needless to say, those on the low side all say that it is not enough and those that will have to give some up say that they cannot afford to and are not prepared to. So, I am afraid that there is absolutely no consensus. The UK is almost smack in the middle, and therefore, arguably, we can afford to be more generous. Yes, we support the principle of convergence, but I think that we are a very long way from any conclusion on the subject.

[39] **William Powell:** Minister, in your earlier remarks you commented on the vital role of food security, as reflected in the Forsyth report. In that context, what role do you see for the organic sector in future? What are your feelings about the current proposals to support

organic production?

2.30 p.m.

[40] **Mr Paice:** I am going to be quite blunt: I do not think that you will feed the world organically. Therefore, I do not think that it would be right to suggest that somehow we should put all our effort into expanding organic production. Nevertheless, it clearly has an important role to play. I do see it as an issue driven largely by the market, and something for consumers to choose if they wish to, and if they wish to pay the premium that is necessary for organic production to be profitable. As far as the Commission's proposal is concerned—which effectively says that, if you are a certified organic producer, you will automatically get the 30% greening top-up—we do not have a problem with that as a principle, if you accept the idea of greening pillar 1, and so on. However, if that is the case—and here we are getting into this bigger issue of the greening debate—then just as organic farming is certified, so other accredited schemes, such as stewardship schemes in England or Glastir in Wales, could also be the greening element of the CAP. The commissioner has agreed with that in principle. Again, these are very early days, and all we have is what the Commission is saying rather than what it is putting into writing.

[41] **William Powell:** I was just going to comment on the remarks that the commissioner made at the National Farmers Union conference recently, which were quite encouraging.

[42] **Mr Paice:** Yes, they were very encouraging.

[43] **William Powell:** We need to get in there and back that up, across all of our different administrations.

[44] **Mr Paice:** I quite agree. We were pleasantly impressed by his comments, which referred to the UK being the champion of conservation work, and he did not want to penalise the champion—I think that I quote him exactly there. That is good. In other conversations, there is still an issue about the ecological focus area proposal of 7%, for example. He seems to think that you still have to meet the 7%, and what he has said to us outside that public platform is that, if you have 5% of your land in stewardship, to use the English example, then you would still need to take out another 2%. The fact that that 5% might be doing far more in qualitative terms has not quite been grasped by the commissioner. What we are pushing for is that if we have to have greening of pillar 1, we believe that it should be done on the basis of equivalence, so that rather than this one-size-fits-all proposal for the whole of the EU, from Ireland to Greece to Finland, there should be a system whereby equivalent measures could also count, and that equivalence should be in qualitative terms of the benefits to the environment as opposed to this somewhat absurd idea of just 7% of your land.

[45] **William Powell:** It would be far more beneficial to have a more sophisticated approach to bring to bear.

[46] **Mr Paice:** Absolutely—sophisticated, but still not too complicated.

[47] **William Powell:** Exactly. Is it your view that the EFA proposals should be extended to include grassland?

[48] **Mr Paice:** As you know, it is not the EFA that deals with grassland at the moment—that is a separate leg of the three legs of the greening proposal. We certainly believe that permanent pasture should be protected, but we also strongly believe that farmers—if we are interested in production, and we are—need to recognise the need to reseed periodically. If it is genuine long-term or permanent pasture that has not been ploughed in recent memory, then it should be retained, and we support the principle of ensuring that it is not ploughed. However,

we also said—and this came up at the NFU annual general meeting—that farmers sometimes reseed on a fairly long-term, 10-year basis, and that should still be permitted. The commissioner said that he accepted reseeded. I think that he agreed to the principle of a 10-year period. I think that that is where we would agree. I know that there are some who would like to extend it to 15 years, but I am not sure that that is really necessary. Within a period of less than 10 years, the ability to reseed should clearly be there.

[49] **William Powell:** Where would you see species-rich hay meadows fitting into that?

[50] **Mr Paice:** They tend to be permanent pastures, so they would have to stay as permanent pasture.

[51] **Vaughan Gething:** I think that Antoinette wants to make a point on the greening issue, and I think that Llyr wants to speak on the same issue.

[52] **Antoinette Sandbach:** I wanted to come back to the ecological focus area. Certainly, when we first started out with the single farm payment in Wales, whole farms declared, but gradually we have had to remove elements of the farm such as trees, hedgerows, tracts and ponds. These are on-farm areas that would be considered ecological focus areas. While I appreciate that this may be more of a matter for the implementing regulations, is it clear that the Commission understands that, in some areas, it is income foregone that is looked at, and therefore the non-productive areas of the farm, which may in fact be the areas that contain the most ecology, are effectively taken out of the claim form?

[53] **Mr Paice:** I certainly agree that there has been an issue about what is claimable. In England—I will not go back into our mapping history, it is pretty painful. You are right that there are lots of areas that the Commission says would count as part of the EFA that are not currently mapped on your farm, or claimed against. As you say, that would be an issue for the implementing regulations. What is also clear is that, at the moment, the Commission is insistent that, if those areas do not add up to 7%, then you will have to take some more land out of production from your currently claimed entitlement. I have to say—and this goes with several of the other points I have made—that there is absolutely no agreement on this around the table at the Council of Ministers. Most people are opposed to it. Some think that the flat rate of 7% is too high, and some think that it should be zero. Others support the principle but want a simpler approach to it, which is why we are working with a number of like-minded countries to be positive and to put forward a positive alternative on the basis of equivalence, as I have just been discussing. My big concern is that, if nobody around the table agrees as to what should replace the proposal, then we will end up with the proposal being implemented—the one thing that nobody wants. That is why we believe strongly in coming forward with positive alternatives that, we hope, can gain considerable support.

[54] **Antoinette Sandbach:** If I might beg the indulgence of the Chair, I have one more question on crop rotations. We have a very limited arable sector here in Wales, and often quite small parcels of land are sown with maize for cattle feed, for example. In terms of the minimum three-crop requirement and the crop rotation requirement, what kind of stance is the UK taking?

[55] **Mr Paice:** Like the other two legs of the greening stool, we do not support it. We see that there are major problems with it. We know what they are trying to achieve, and there is no doubt that monoculture in certain parts of Europe—particularly maize for power generation and the fermentation process—is a serious problem in large areas of Germany, in particular. Maize is the worst crop for monoculture because it keeps the land very bare, and you tend to get run-off as well. Again, it is this absurdity of trying to have a one-size-fits-all solution, and that is why we do not support the principle of three-crop rotation. A slight anecdote: we had a meeting with the commissioner and his team in the autumn, and all

devolved Ministers were present, including Alun Davies, and we discussed this precise thing, and one of the commissioner's team immediately piped up, 'Well, they will only have to do it if they have over 3 ha'. We did rather suggest to him that that was not quite the structure of UK farms—most have more than 3 ha. I made precisely the point that you have made: that there are a lot of livestock farms that are predominantly grass that will grow turnips for grazing, maize or whatever. The idea of forcing them to grow three crops is just not sensible. In terms of progress, there is not a lot on that.

[56] I should add that our proposals for equivalence, which I talked about, are to replace all three legs of the stool. If we really want pillar 1 to be greened, it has to add value for the environment, deliver for the taxpayer and be relatively simple to administer. Having three legs would simplify it, giving it a much more straightforward menu approach of equivalent options.

[57] **Vaughan Gething:** The menu option is one of the things that the European Parliament came up with as an initial view on greening—it was a wider way of reaching greening. Can you confirm for me where you see the UK Government position at present? Is it your view that you want everything moved into pillar 2, or are you open to the idea of some element of compulsory greening in pillar 1, but that you do not like what is being proposed? There are two different ways of looking at it, of course. I come back to this point, which is in our letter, about seeing some benefits from commonality of expectation and outcomes across the European Union, but it is about how that is delivered and how flexibly it is delivered. I would just like to understand where you see the UK's position on this.

[58] **Mr Paice:** Yes, of course. I am sorry if I have not been clear. We believe the right way to green the CAP is, ideally, through pillar 2. There are no ifs or buts about that. We do not believe that we should be complicating pillar 1 with it. However, the realpolitik is that there seems to be a clear majority in favour of greening pillar 1, and rather than sitting on our backsides saying, 'We do not like it. No, no, no', we feel the right way forwards is to engage with and face up to that reality and to start developing sensible alternatives.

[59] **Vaughan Gething:** That is very helpful, thank you.

[60] **Llyr Huws Gruffydd:** Rwy'n mynd i sôn am faes y ffermwr actif. Mae llawer o'r dystiolaeth yr ydym wedi ei derbyn yn cytuno â'r egwyddor o dargedu taliadau uniongyrchol, ac rydych eisoes wedi mynegi gofid ynglŷn â lefel y fïwrocraatiaeth a'r dryswch a fydd ynghlwm wrth y gwaith i ddiffinio ffermwr actif. Yng ngoleuni'r ffaith y byddwn yn dymuno hyblygrwydd i aelod-wladwriaethau—ac i wledydd a rhanbarthau yn yr aelod-wladwriaethau—i ddiffinio ffermwr actif, a oes gennych awgrymiadau am sut y byddech chi'n gwneud hynny fel Llywodraeth?

Llyr Huws Gruffydd: I am going to talk about the active farmer. Much of the evidence that we have received agrees with the principle of targeting direct payments, and you have already expressed concern about the level of bureaucracy and confusion associated with the work of defining active farmers. In light of the fact that we would want flexibility for member states—and for countries and regions in member states—to define an active farmer, do you have any suggestions for how you would do that as a Government?

[61] **Mr Paice:** The first point is that the only way forward is for national flexibility on this. As for how we would do it, we do not have a very clear view. I think that everybody has been wrestling with how to do it. Indeed, if you talk to the Commissioner privately, you will find that he is not that smitten with his own proposals. I do not want to put words into his mouth, but I think that he is, effectively, saying that they cannot think of any alternative and that this is the least worst option—the others must be horrendous.

[62] The option that we would favour is a list of exclusions. When you challenge the Commission on what it is trying to achieve, it talks about businesses that are not farms but include a bit of farming. It talks about ports, airports and other types of businesses. We therefore felt that the best way forward would be simply to have a list of exclusions, to say which types of businesses cannot claim the single farm payment. That would be straightforward. However, we are told that that would be contrary to the basic EU law on the rights to services, and the Commission has said that that cannot be accepted, either at an EU level or at a national level.

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[63] The only way to do it, if we do end up with national decision making—and it may be too complicated—would be to look at forms of tenure to see who is actually farming the land and, with all the related issues of landlords, tenants, contract farmers, share farmers and so on, it becomes bureaucratic, which I suspect is why, whenever this has been looked at in the past, it has never been progressed. I would not want to make promises. It may well be that I end up coming to the same conclusion, and, of course, that would be a matter for the Welsh or Scottish Government and the English Government. As you know, the biggest issue is probably in Scotland, where they have slipper farmers, as they call them—people who have accumulated entitlements on mountains that require absolutely no management at all. That brings me to the other part of the active farmer, because there are two proposals—one is based on income, and the other, which we support, is that it must require some active management of the land as opposed to just owning some bare hillsides, and not doing anything with it.

[64] **Rebecca Evans:** We are aware of some proposals for prizes for research and innovation included as part of the common agricultural policy proposals, but we are struggling to get any further information, and I am guessing from your expression that you might not be aware of it either. Is there anything more that you could tell us about those prizes?

[65] **Mr Paice:** Prizes?

[66] **Rebecca Evans:** Yes. It has come up in our briefings—prizes for innovation and research.

[67] **Mr Paice:** I wonder whether we are at cross purposes here, because only yesterday I announced some prizes for innovation, but that is not to do with the CAP reform. We had a food innovation summit in London yesterday—we are trying to encourage innovation across the farming and food sectors, and I announced some prizes for that. Some of that is being funded from the European innovation funds, but it is not part of the CAP reform process.

[68] **Ms Seaton:** I think that it relates to the potential for a prize for co-operation in relation to LEADER and the rural development policy. There is the potential to hold some money back for a prize for innovation if there is co-operation across member states.

[69] **Mr Paice:** I am afraid that you have stumped me. I am not aware of that at all. Certainly the European innovation partnership that the Commission is proposing is something that we welcome very much. We believe in partnership in innovation, and innovation will be essential. The detail is vague as yet. Perhaps you have managed to find some detail that I am not aware of, but in principle we support the concept of the European innovation partnership, and the fact that there is a lot more money in it than previously.

[70] **Vaughan Gething:** I am shocked that you cannot recite everything in the proposals backwards. [*Laughter.*]

[71] **Mr Paice:** I am mortified.

[72] **Vaughan Gething:** On the question of entitlement, which did get raised, this was a matter that we commented on in our initial review. We took interesting evidence about the future reference date of 2014, and the requirement that people have to have an active entitlement by 2011, and whether that will lead to land being banked or kept, or have an impact on new entrants to farming. It was a particular concern of young farmers' groups. I wonder whether you could outline what the UK Government view is on the proposals around entitlements.

[73] **Mr Paice:** We cannot see any logic in it. We cannot see any logic in the 2011 date; 2014 is clearly more logical, because that is likely to be the first year of the new scheme, or it was intended to be, sorry—I do not think that it is likely to be, but it was intended to be. There is also the issue, certainly for England and one or two other countries that have already shifted to an area basis, of why we should have to have new entitlements if we already have an area-based entitlement system. So there are some big question marks, but, to be honest, it is not an issue that as yet has been discussed much at council level in Europe, so I do not have a feel for the views of other countries on the subject.

[74] **Vaughan Gething:** I have one more question and then I will move on to Bill and Antoinette. This question is on the pace of the move to area-based payments, which is a significant issue here in Wales. I know that you are further ahead in England in terms of having moved to area-based payments, but in particular I am interested in the pace of change required in the first year. Obviously, we would like greater flexibility about the pace of that change and the timescale for that change, so I will be interested in whether the UK Government supports the position currently being taken by ourselves and the Welsh Government that that should take place over a longer period, of between five and seven years.

[75] **Mr Paice:** We have total sympathy with the situation, and we have already publicly supported all of the devolved administrations—because it applies to all three—in saying that the transition should be smoother. We think that the idea of doing 40% in year 1 is completely wrong and we strongly support the smoothing of that. As far as the period is concerned, we do not have a fixed view as to whether it should be five years or seven. I do not think that we would support an extension beyond seven years, because that would take you into the next CAP round, and we think that the deadline for transition must be by the end of this forthcoming CAP round. We certainly want to be supportive to the devolved administrations on this, and, as far as the 40% is concerned, we have already made it clear to the Commission that we do not support it.

[76] **William Powell:** Obviously, the future sustainability of the industry depends on younger farmers coming forward to replace those whose ages, like everybody else's, are growing steadily. I think that the average age of Welsh farmers and UK farmers has been rising sharply in recent years. What are your views about the current proposals for new entrants as they stand?

[77] **Mr Paice:** It is back to the same criticism that I have made before about one-size-fits-all. We strongly support helping young farmers, and, indeed, at the very first Council of Ministers meeting that discussed the proposals there was unanimous support around the table for that. However, the precise proposal of an enhanced payment for entitlements is a pretty crude instrument, particularly, as the Chair has said, if you do not have any entitlements because you were not farming in 2011. That is one issue. Secondly, the Commission is talking about those aged under 40, and so young farmers, but would it not be better to just say 'new entrants', and favour anybody who is fresh into the industry? Thirdly, frankly, in the UK situation I do not think that that enhancement will be of great benefit. I strongly suspect that

we shall end up again that it should be a matter of national discretion as to what precise scheme you develop for your national circumstances to help new entrants into the industry, with which I entirely agree in principle.

[78] **William Powell:** Could that also include a dimension of pillar 2 support?

[79] **Mr Paice:** You can already do it under pillar 2.

[80] **William Powell:** And that would not be excluded.

[81] **Mr Paice:** No. Indeed, as I said, the Commission is proposing to increase the flexibility of pillar 2.

[82] **Antoinette Sandbach:** We move on to perhaps the last area, which is that of natural constraints. Here in Wales our LFA scheme, which was called Tir Mynydd, will effectively be gone from next year onwards. I will hazard a guess that it is article 22 in the regulations that permits support for areas of natural constraint, and at the moment in Wales 80% of our land is in the less favoured area or severely disadvantaged area category. What stance is the UK taking on areas of natural constraint, and will that in any way tie the hands of the Welsh Government in terms of reintroducing an LFA scheme or maintaining an existing one before it expires?

[83] **Mr Paice:** We support the Commission's proposals to shift the method of judging such areas to, frankly, a more sophisticated basis in terms of areas of natural constraint. We think that is a sensible shift. We strongly support the continuation of the options in pillar 2 to fund those areas through some form of targeted payment, as we do in England through the uplands entry-level stewardship. As you also know, the Commission has proposed, I think, a 5% top-slicing of pillar 1, or a 5% enhancement, I should say, of pillar 1 payments for those areas. We are not entirely persuaded that it is wise to do it under pillars 1 and 2, because things do get a bit complicated if they are funded under both pillars, but we strongly support the principle of support going to the upland areas, and, ideally, it should all be targeted at those issues. I should add that one of the things that we have done in the last 12 months is to launch ecosystem assessment papers last summer developed by our scientists, which, for the first time, attempt to put values on ecosystems, in relation to issues such as carbon retention, water retention and biodiversity. To me, that is what the uplands are providing the rest of society. It is not just the issue of important rural communities in remote areas; those areas provide a massive public good for the rest of the community. As we can develop measurement processes for that, which ecosystem assessment does, we will be in a better position to be funding the costs to those farmers of maintaining those areas.

[84] **Vaughan Gething:** I have one final question. It comes back to one of those areas on which, oddly, there is agreement between people coming at the same issue from completely different perspectives, namely the proposed small farmers scheme. A payment is made available, but it does not have cross-compliance requirements. We are interested in the UK Government's view on whether it supports that scheme or whether it does not agree that that is a way forward. What is the basis for either supporting or not supporting the current small farmers scheme proposal?

[85] **Mr Paice:** We support the idea of a simplified system for small farmers, but we have not bottomed out precisely what area that should encompass, or how to allocate a number or proportion of euros or entitlements. There should be national discretion on what is a small farmer, because it varies from state to state. We do not agree with the idea that they should be exempted from the greening proposals. Bearing in mind that small farmers make up a massive chunk of European agriculture, we think that it would be hugely counterproductive to exempt them from all the greening requirements. So, we support the idea of a simplified scheme for

small farmers, but not that they should be excluded from the responsibilities that go with that.

[86] **Vaughan Gething:** How broad is that view on cross-compliance across other member states?

[87] **Mr Paice:** We have not fully tested that one yet, to be honest. We are still at relatively early stages in this process. We have not explored every issue with every member state yet. We are working on it.

[88] **Vaughan Gething:** That is fair enough. That brings us to the end of our questions. We are grateful to you, Minister, for finding the time to come to speak to us and for helping us with evidence and for answering questions. We appreciate that this is a process, with an event at some point in the future. We will send you a transcript of today's session, so if there are any transcription errors or points that you want to clarify, there is an opportunity for you to do that.

[89] I should also point out that we have received formal apologies from Dafydd Elis-Thomas. He has other matters on his mind today.

[90] **Mr Paice:** Yes, I have heard what they are. [*Laughter.*]

[91] **Vaughan Gething:** Thank you for your evidence and for your attendance here today. That concludes the formal session.

*Daeth y cyfarfod i ben am 2.58 p.m.
The meeting ended at 2.58 p.m.*