



# Cyngor Cefn Gwlad Cymru Countryside Council for Wales

National Assembly for Wales Rural Development Sub Committee

Inquiry into the Reform of the Common Agricultural Policy

Submission by the Countryside Council for Wales

May 2010

## Summary

CCW welcomes this opportunity to present evidence to the Committee. The main points we wish to emphasise are as follows:

(i). Despite the influence of market forces, new technology and social change, the Common Agricultural Policy (CAP) remains a hugely significant influence, both on the behaviour of individual farmers as well as on the overall structure of the agricultural industry.

(ii). CCW's long term vision for the future of the CAP involves a fundamental shift in emphasis, ensuring that the policy is transformed into one that is capable of supporting the provision of a wide range of public goods alongside food production

(iii). The CAP reform debate is taking place within a much wider discussion over the scale of the CAP, the size of the EU budget and the future needs of the European Union. All of these processes are accelerating. A public debate on the future of the CAP has just been launched by the Agriculture Commissioner and an EU budget review paper is likely to be released later in 2010.

(iv). The increase in size of the EU and the emergence of new negotiating blocs increases the probability that rather than being based on meeting agreed objectives, the scale of the CAP's resources for 2013-2020 will be based on the results of last minute negotiations over both the size and the purpose of the EU budget. The current economic situation and the increased influence of the European Parliament represent additional factors that have to be taken into account.

(v). In view of the above, CCW believes that the Welsh Assembly Government should remain flexible and focus on achieving key objectives rather than remaining wedded to any particular CAP architecture. CCW takes the view that an adequate CAP settlement within the context of the EU budget review and the EU 2020 Strategy is most likely to be attained through emphasising the role of farming in supporting the delivery of public goods and tackling climate change. These objectives should be achieved using a range of tools such as annual stewardship payments, investment aids and knowledge transfer, whilst signalling that income support is more properly viewed as being transitional in nature.

(vi). Assuming that the overall structure of the CAP remains broadly the same in future, CCW considers that the Welsh Assembly Government's negotiating priorities should be to:

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- Secure a CAP budget that is adequate to support the range of functions that agriculture is expected to deliver - and within that an allocation for the UK that enables existing environmental targets to be met, whilst contributing to overall food security by simultaneously safeguarding the agricultural skills and resource base;
- Protect the current Pillar 2 allocation and if possible seek to increase it in real terms, bearing in mind the probability that the overall CAP budget will be reduced;
- Ensure that Pillar 2 is focussed on supporting the delivery of environmental services through the use of annual stewardship payments, capital investments designed to reduce the environmental footprint of agriculture and support for knowledge transfer and the development of skills;
- Ensure that the Single Payment Scheme contributes to the provision of public goods through the application of cross compliance, in particular by expanding the use of GAEC to tackle the challenges posed by climate change.

## 1. Introduction

1.1. The Countryside Council for Wales champions the environment and landscapes of Wales and its coastal waters as sources of natural and cultural riches, as a foundation for economic and social activity, and as a place for leisure and learning opportunities. We aim to make the environment a valued part of everyone's life in Wales.

1.2. CCW is also a member of the Land Use Policy Group (LUPG), an informal combination of UK environment and conservation agencies with a particular interest in researching and discussing land use issues at the European level. Where relevant, we have referred to LUPG research work in our evidence. More information, including copies of research reports, is available at [www.lupg.org.uk](http://www.lupg.org.uk)

1.3. Some 80% of Wales is farmed. As a result, the agricultural industry has a significant role to play in helping both CCW and the Welsh Assembly Government to deliver against agreed priorities for biodiversity, landscape and public access to the countryside.

1.4. Whilst agriculture is affected by a wide range of drivers, the Common Agricultural Policy (CAP) remains a hugely significant influence on the behaviour of individual farmers as well as on the overall shape of the industry. CCW's long term vision for the future of the CAP involves a fundamental shift in emphasis, ensuring that the policy is transformed into one that is capable of supporting the provision of a wide range of public goods alongside food production. These public goods include the management of clean air and water, healthy soils, biodiversity, cultural landscapes and public access to the countryside<sup>1</sup>. Central to our vision is the role of farmers in managing a range of ecosystem services, including carbon sequestration, flood storage and nutrient cycling, all of which play a vital part in underpinning agricultural productivity.

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<sup>1</sup> The European Commission has recently commissioned a major report on public goods and agriculture. This is accessible at: [http://ec.europa.eu/agriculture/analysis/external/public-goods/report\\_en.pdf](http://ec.europa.eu/agriculture/analysis/external/public-goods/report_en.pdf)

## 2. Background

2.1. The current debate on CAP reform is inextricably linked to the current discussions on the shape of the EU budget (the next financial perspective runs from 2013-2020). Previously leaked proposals from the Commission suggested that a significant cut in the CAP budget is likely, with more emphasis being placed on R&D, economic competitiveness and ensuring that the EU has the capacity to intervene more effectively on a range of issues at the global scale<sup>2</sup>.

2.2. Both the new Agriculture Commissioner and European Parliament's Agriculture and Rural Development Committee have signalled their intention to defend the CAP budget by arguing for this to be set at an appropriate level in light of agriculture's multifunctional role, one which extends well beyond food production<sup>3</sup>. Securing the political support necessary to achieve this objective will require the development of a clearly articulated vision setting out the role of the CAP within a Europe that faces enormous challenges. These include the current economic situation and the maintenance of the EU's competitive position on the global stage as well as the increasingly urgent need to tackle the issues arising from our current consumption of finite natural resources<sup>4</sup>. Proposed future enlargements of the EU will only increase the scale of the challenge.

2.3. The new Agriculture Commissioner, Dacian Ciolos, has recently made clear that he is seeking to engage in debate with a wide range of stakeholders prior to holding a public conference and issuing a Communication on the future role of the CAP post 2013. This process is anticipated to be complete by the end of 2010<sup>5</sup>. Whilst the ratification of the Lisbon treaty means that the European Parliament (EP) now has the power of co-decision on agricultural matters it remains unclear how this will affect the nature of the CAP reform process. Previous rounds of CAP reform have seen individual Member States playing a major role in negotiations, not just in the Agriculture Council, but also via formal and informal meetings of the Heads of Government.

2.4. In setting out a clear role for the CAP, the Commission will undoubtedly seek to address the question of food security. This issue has moved rapidly up the political agenda in the wake of the increase in food commodity prices that took place in 2008. Whilst prices have now fallen back, the challenges of water, biodiversity and climate change (as previously identified in the CAP Health Check) remain urgent. There is now a growing realisation that whilst more European food will have to be produced in the future, this must be accompanied by a simultaneous reduction in environmental impacts.<sup>6</sup>

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<sup>2</sup> Communication from the Commission to the European Parliament and the Council. A reform agenda for a Global Europe. The 2008/2009 EU Budget Review [Draft 06-10-2009]. See also Consultation on the Future "EU 2020 Strategy. Commission Working Document COM(2009) 647. Brussels 24 November 2009.

<sup>3</sup> Opening Speech by Commissioner Dacian Ciolos to European Parliament. Accessible at: [http://ec.europa.eu/commission\\_2010-2014/ciolos/headlines/speeches/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/ciolos/headlines/speeches/index_en.htm)

<sup>4</sup> Communication from the Commission. Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth. COM(2010) 2020. Brussels 3.3.2010. Accessible at: [http://ec.europa.eu/eu2020/index\\_en.htm](http://ec.europa.eu/eu2020/index_en.htm)

<sup>5</sup> See:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/419&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>6</sup> IAASTD (International Assessment of Agricultural Knowledge, Science and Technology for Development),

### 3. What should the Welsh Government's priorities be in its negotiations on CAP reform?

3.1. CCW's response to this question emerges from the overall body of evidence we have submitted to the Inquiry. We have also taken account of the assertion within the recently published Farming Food and Countryside Strategy that the historic basis for the Single Payment Scheme (SPS) will have to change<sup>7</sup> and that the shift to an area based payment must be planned and carefully implemented. It has been evident for some time that that the European Commission is not only seeking to ensure that the link to historic payments is removed (since it becomes progressively less easy to justify over time) but that the overall level of payments per ha across the EU should be 'flattened out'<sup>8</sup>

3.2. In summary (and assuming that the overall structure of the CAP remains broadly similar in future) we consider the Welsh Assembly Government's negotiating priorities should be to:

- Secure an adequate CAP budget overall - and within that an allocation for the UK that enables existing environmental targets to be met, whilst simultaneously safeguarding the agricultural skills and resource base (the 'factors of production' constituting the public good element of food security);
- Protect the current Pillar 2 allocation and where possible seek to increase it, bearing in mind the probability that the overall CAP budget will be reduced;
- Ensure that Pillar 2 is focussed on supporting the delivery of environmental services through the use of annual payments, capital investments and support for knowledge transfer and the development of skills;
- 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 to tackle the challenges posed by climate change.

### 4. What should the balance be between Pillar 1 and Pillar 2 of the CAP?

4.1. Pillar 1 currently accounts for some 80% of the CAP budget<sup>9</sup> and includes the remaining market support measures (intervention and export subsidies) as well as direct payments (which comprise the Single Payment Scheme as well as such coupled payments that individual Member States have chosen to retain post the Mid-Term Review of 2005).

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2008. Global Summary for Decision Makers. Accessible at <http://www.agassessment.org>

<sup>7</sup> See page 33 of "Farming, Food and Countryside: A New Strategy for Farming". Welsh Assembly Government, May 2009.

<sup>8</sup> "Commission mulling flat-rate aids with purchasing power adjustment". Agra-Europe 9<sup>th</sup> April 2010. Issue: AE2407

<sup>9</sup> See annex to "Why do we need a Common Agriculture Policy?" Discussion Paper by DG Agriculture and Rural Development. December 2009. Accessible at: [http://ec.europa.eu/agriculture/cap-post2013/reports/why\\_en.pdf](http://ec.europa.eu/agriculture/cap-post2013/reports/why_en.pdf)

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4.2. Pillar 2 of the CAP comprises the rural development measures. These are currently delivered under four separate headings covering improvements in competitiveness (Axis 1), management of the countryside (Axis 2), complementary rural development activities largely outside of the agricultural and forestry sectors (Axis 3) and LEADER (Axis 4).

4.3. Whilst recent debates on CAP reform have been framed largely in the context of the balance between Pillar 1 and Pillar 2, it is notable that the deployment of the different types of rural development measures within Pillar 2 varies substantially between individual member states. In countries such as Ireland, Finland Austria and the UK, the emphasis is primarily on Axis 2 measures such as agri-environment and forestry. By contrast, the new Member States tend to give much greater weight to the Axis 1 measures designed to improve competitiveness<sup>10</sup>. This variation in the use of Pillar 2 from one Member State to another is an important factor to consider when commenting on the relative size of the two pillars at EU level.

4.4. The EU budgetary allocations for Pillar 1 and Pillar 2 also differ markedly from one Member State to another<sup>11</sup>. This variation tends to reflect historic factors such as past expenditure patterns and the outcome of EU accession negotiations as well as more objective criteria such as the size of agricultural areas involved. The situation at Member State level is further complicated by the use of the modulation mechanism to transfer funds from Pillar 1 to Pillar 2.

4.5. All of the UK countries apply additional voluntary modulation alongside compulsory modulation. Nevertheless, Welsh expenditure on the SPS continues to account for the majority of the budget devoted to farm payments<sup>12</sup>. The same situation often applies at the level of the individual farm level where the recent trials of the Glastir scoring system revealed that the SPS vastly exceeded the agri-environment payment for almost all farms in the sample<sup>13</sup>.

4.6. Alongside the other GB countryside and environmental agencies, CCW recently contributed to the Land Use Policy Group's Vision for the future of the CAP post 2013<sup>14</sup>. This proposes a progressive transformation of the CAP to ensure a clear focus on rewarding the environmental services arising from land management whilst at the same time ensuring that production is sustainable in the long term. The document is based on a set of ten principles, including the adoption of agreed environmental standards; rewarding the positive

<sup>10</sup> See Page 9 of "The CAP in Perspective: from Market Intervention to Policy Innovation". Accessible at: [http://ec.europa.eu/agriculture/analysis/perspec/app-briefs/index\\_en.htm](http://ec.europa.eu/agriculture/analysis/perspec/app-briefs/index_en.htm)

<sup>11</sup> Rural Development in the European Union- Statistical and Economic Information. Report 2009. Details of Pillar 2 allocations are provided in Chapter 2: Situation. See Table 2.2.1. of accessible at: [http://ec.europa.eu/agriculture/agrista/rurdev2009/index\\_en.htm](http://ec.europa.eu/agriculture/agrista/rurdev2009/index_en.htm)

<sup>12</sup> Inquiry into Reform of the EU Common Agricultural Policy. Submission from Minster for Rural Affairs RDC(3)-07-10. 28<sup>th</sup> April 2010. Paragraph 6 describes SPS expenditure of £290M and Rural Development expenditure of £75M during 2009.

<sup>13</sup> Glastir Farms Survey Live Points Testing to assess the Entry Level Scheme: Appendix 3. (Welsh Assembly Government, January 2010) Accessible at:

<http://wales.gov.uk/topics/environmentcountryside/farmingandcountryside/ruraldevelopment/axis2/glastir/glastironfarmtrials/;jsessionid=YTXYLhybbQnSXLCH2QvhQYPht4skhGnyGvshdjqr6t1HWrchvHZW!-318064021?lang=en>

<sup>14</sup> "Securing our Common Future through Environmentally Sustainable Land Management". Land Use Policy Group (2008). Accessible at: [www.lupg.org.uk](http://www.lupg.org.uk)

management of environmental resources across all types of farm and targeting investment so that it helps farmers to reduce the carbon footprint of their businesses. The Vision stops short of proposing a detailed architecture for the CAP, but it is evident that many of its principles are more closely aligned with the current suite of measures available under Pillar 2.

4.7. LUPG has also commissioned work designed to estimate the scale of the resources required to address current environmental targets across all four countries within the UK<sup>15</sup>. The final report takes as its starting point the commitments made in documents such as the Wales Environment Strategy (WES) as well as the legislative requirements arising from the Water Framework Directive and recent commitments on tackling climate change. For the purposes of the exercise it was assumed that the current system of income support had been phased out. Nevertheless, the estimated scale of expenditure required still amounted to some £2 billion per annum (with an estimated range from £1-3bn) with the higher figure being roughly equivalent to the existing UK budget for both Pillars 1 and Pillar 2 combined.

4.8. In the context of more fundamental CAP reform, it is worth noting that several recent analyses have looked beyond the Pillar 1 vs Pillar 2 debate by suggesting that most European agricultural policy could now be accommodated within a single Pillar<sup>16</sup>. Although future market intervention would need to remain outside of this new structure, the bulk of the CAP would then be based around a combination of basic stewardship payments and more targeted support (both annual payments and investment aids) aimed at underpinning the provision of public goods within a sustainable agricultural system. In essence, the current Pillar1 /Pillar2 debate would then be re-focussed onto the way in which the two elements of the new structure could operate as part of an integrated model designed to deliver both food and environmental security. As part of its contribution to this ongoing debate, LUPG has recently commissioned additional work on managing the transition away from income support payments and hopes to publish this shortly<sup>17</sup>.

### 5. What should the CAP's central objectives be post 2013?

5.1. The objectives of the CAP have remained unchanged since they were first laid down in the original Treaty of Rome. The Treaty has proved remarkably flexible, however, and without the need for substantial amendment, the CAP has been transformed from its original role of supporting markets to one focussed on helping farmers to become more market orientated whilst at the same time giving them increased opportunities to address a wide range of environmental challenges.

5.2. Despite this, CCW believes that adding two new objectives to the CAP, without fundamentally altering

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<sup>15</sup> Estimating the Scale of Future Environmental Land Management Requirements for the UK. Cao, Y., Elliott, J., McCracken, D., Rowe, K., Whitehead, J. and Wilson L. December 2009. Accessible at: <http://www.lupg.org.uk/Default.aspx?page=158>

<sup>16</sup> Bureau J-C and Mahe L-P (2007). "CAP Reform beyond 2013: An idea for a longer view". Notre Europe. <http://www.notre-europe.eu/uploads/txpublication/Etude64-CAP-Propositions-EN01.pdf>. See also Birdlife International's Vision for the future of the CAP. Accessible at: [http://www.birdlife.org/eu/EU\\_policy/Agriculture/eu\\_agriculture4.html](http://www.birdlife.org/eu/EU_policy/Agriculture/eu_agriculture4.html)

<sup>17</sup> "Achieving a transition away from income support payments". IEEP report for LUPG (in prep).

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the Treaty of Rome, would strengthen the rationale for providing continued public support to farmers. A progressive shift away from universal income support, (with more emphasis placed on the use of both annual payments, investment aid and knowledge transfer to secure the delivery of environmental services) would help to build the support necessary to safeguard the CAP budget. The LUPG vision<sup>18</sup> therefore suggests adding two new objectives to the Treaty of Rome as follows:

- *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 service, thus contributing to environmental security and wider social benefits.*

5.3. The previously leaked draft paper on the EU Budget suggested that the CAP could be strengthened by the addition of a third Pillar covering climate change<sup>19</sup>. Whilst such an approach sounds innovative, it might well add an additional layer of administrative complexity whilst delivering little by way of added value. Existing Pillar 2 measures (in particular those under Axis 1 and Axis 2) are well equipped to deliver against targets for climate change mitigation and adaptation, whilst attaching new conditions to any income support available under Pillar 1 from 2014 onwards would also contribute to meeting climate change objectives. CCW believes that these new cross compliance conditions could take the following form:

- **Establishing a new requirement to carry out a nutrient management planning or a resource efficiency review.** Whilst this would involve farmers in additional work, it would also improve economic returns whilst encouraging reductions in GHG emissions.
- **Requiring a minimum percentage of land to be managed for environmental purposes.** Such land would not necessarily have to be removed from agriculture and could be eligible for funding under agri-environment schemes.
- **Establishing a climate change management link between Pillars 1 and 2 using an ‘orange ticket’ approach.** This would establish a requirement to participate in a base level agri-environment scheme as a condition of receiving future Pillar1 payments.

5.4. In addition, in an approach analogous to the current requirement to maintain overall levels of permanent grassland, Member States could be required to monitor agricultural GHG emissions at a Regional level whilst tracking progress against agreed targets for their reduction. These targets would be in line with the scale of reductions that could be achieved at minimal cost. Should progress appear insufficient to meet

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<sup>18</sup> “Securing Our Common Future through Environmentally Sustainable Land Management”. LUPG (2009)

<sup>19</sup> Communication from the Commission to the European Parliament and the Council. A reform agenda for a Global Europe. The 2008/2009 EU Budget Review [Draft 06-10-2009].



the targets, Member States would then be empowered to introduce remedial measures, perhaps by establishing a requirement for all farms above a certain size to undertake regular carbon audits.

### 6. To what extent should the CAP be a community policy? Is some re-nationalisation desirable?

6.1. The case for State intervention in European agriculture can be made on the basis of a number of arguments which include:

- Ensuring a level playing field in terms of individual businesses operating within the wider European economy;
- Tackling the consequences of market failure by providing support for the provision of public goods;
- Addressing the geographically extensive and wider social impact of many issues of direct concern to both farmers and society (such as the control of disease and pollution);
- Achieving coherence with other European policy objectives (such as those for climate change) and
- Meeting European objectives for economic, social and territorial cohesion.

6.2. The extent to which the necessary intervention should be at the European rather than national level has long been a major issue underpinning Member State positioning on CAP reform as well as on EU policy more generally. The issue can be broken down still further by asking:

- Should the EU set the broad policy framework whilst Member States choose whether or not to fund particular policies? or
- Should the EU not only set the policy framework but also provide part or all of the necessary funding?

6.3. The issue of CAP re-nationalisation most frequently emerges in the context of Pillar 1 where the existing system of direct payments and market intervention is entirely funded by the EU. By contrast, the existing Pillar 2 measures are co-financed by the Member States, albeit at different rates according to the economic situation of the territories concerned.

6.4. The re-nationalisation of Pillar 1 is not supported by the New Member States and was resisted by the previous Agriculture Commissioner on the grounds that it would lead to the erosion of the level playing field, with richer Member States providing extensive income support and the poorer Member States finding themselves unable to do so<sup>20</sup>. On the other hand, the co-financing of Pillar 2 has long been regarded as a means of ensuring that Member States are constrained from developing overly elaborate Rural Development Plans. In principle, it is difficult to see why this same sort of logic should not apply to Pillar 1.

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<sup>20</sup> Mariann Fischer Boel Member of the European Commission Responsible for Agriculture and Rural Development "A strong CAP to face the challenges of the future" Swedish Farmers' conference on CAP Stockholm, 25 November 2009. Accessible at: <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/09/554&format=HTML&aged=0&language=EN&quiLanguage=en>



6.5. 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 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.

6.6. Set against this argument is the reality that any move towards co-financing of Pillar 1 would increase the Welsh Assembly Government's dependence on the UK Treasury. The UK Government's existing vision for the CAP<sup>21</sup> argues strongly for EU spending to be based on the current Pillar 2. This implies that any requirement to co-finance Pillar 1 might constrain the capacity to develop a distinctive Welsh approach to supporting the agricultural sector.

### **7. To what extent is the Welsh Government's farming strategy, Farming, Food and Countryside, aligned with future CAP priorities?**

7.1. Farming, Food and Countryside (FFC) was published in May 2009, following an extensive consultation process which took into account the recommendations of the independent 'Sustainable Farming and Environment - Action Towards 2020 report'.

7.2. Both the 2020 report and FFC were constructed on the assumption that CAP reform would continue along its current trajectory - implying that the agricultural industry would need to become increasingly sensitive to market signals, delivering high quality produce to consumers whilst at the same time producing the environmental goods that society now demands. Both reports also identified climate change as a key challenge for sustainable land management.

7.3. In focussing on the need to adapt to market conditions whilst advocating increased innovation, more emphasis on knowledge transfer and greater co-operation between producers, FFC provides a platform for ensuring that Welsh agriculture is well placed to adapt to the kind of changes in the CAP that seem most likely to take place from 2013 onwards. These seem likely to involve increased levels of market orientation and a growing emphasis on meeting the challenges posed by biodiversity decline, water management and climate change. At this particular stage, however, it is difficult to anticipate the extent to which the kinds of reductions in the CAP budget which are currently being signalled might impact on the balance between Pillar 1 and Pillar 2 - and quite possibly on the structure of the CAP more generally. Thus whilst FFC is predicated on the CAP evolving in a particular way, it is possible that the speed of change could be much greater than anticipated.

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<sup>21</sup> "A Vision for the Common Agricultural Policy". Defra and HM Treasury. December 2005

7.4. In terms of the debate over the size of the CAP budget, it is notable that the EU 2020 Strategy makes very little mention of agriculture, whilst setting targets for much higher levels of investment in R&D and reducing emissions of greenhouse gases. However, in one of the Strategy's very few references to farming<sup>22</sup>, mention is made of the Commission *"harnessing the contribution of cohesion, agricultural, rural development and maritime policies to address climate change, in particular through adaptation measures based on more efficient use of resources, which will also contribute to improving global food security"*.

### **8. How should the Welsh Government engage with stakeholders as it prepares its position on reform of the CAP?**

8.1. CCW considers that the Welsh Assembly Government has already achieved a great deal in this respect, ranging from its role in establishing a range of stakeholder working groups through to establishing the processes which underpinned the production of recent reports on 2020, Farming Food & Countryside and Land Use and Climate Change (LUCC). The Welsh Assembly Government also appears to engage to a much greater extent than some other administrations in engaging with individual farmers, for instance through Gwlad, the Farm Liaison Service and the Development and Demonstration Farm components of Farming Connect.

8.2. From CCW's perspective, the most critical issue is to ensure that the above tools are used to engage more fully with individual farmers on the likely consequences of CAP reform. These are best seen as establishing an ongoing direction of travel rather than comprising a series of one-off events. Essentially, this process involves greater market orientation (most obviously dating back to the mid term review in 2003, but in reality to well before that) as well the need to reduce the environmental impact of the industry whilst safeguarding and increasing the supply of public goods. As already mentioned, the EU 2020 strategy (which will inform the next budgetary settlement) could well accelerate this process, by sharply reducing the size of the CAP budget and placing a much greater emphasis on the need for "a sustainable, productive and competitive agricultural industry"<sup>23</sup>

8.3. CCW suggests that using a range of existing tools such as Gwlad whilst reinforcing certain elements of Farming Connect (such as farmer discussion groups and demonstration farms) will allow the Welsh Assembly Government to accelerate the process of building key messages about CAP reform into the kinds of day-to-day development activities that appeal to large number of farmers.

### **9. Concluding Remarks**

9.1. The CAP reform debate is taking place within a much wider discussion on the scale of the CAP, the size

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<sup>22</sup> See page 14, Communication from the Commission. Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth. COM(2010) 2020. Brussels 3.3.2010. Accessible at: [http://ec.europa.eu/eu2020/index\\_en.htm](http://ec.europa.eu/eu2020/index_en.htm)

<sup>23</sup> Page 4 of the Conclusions of the European Council, 25/26 March 2010. EUCO 7/10. Accessible at [http://ec.europa.eu/eu2020/index\\_en.htm](http://ec.europa.eu/eu2020/index_en.htm)

of the EU budget and the future needs of the European Union. The policy making process will accelerate over the remainder of 2010.

9.2. Previous CAP reform negotiations have been substantially affected by last minute interventions by Heads of Government, in particular France and Germany. The increase in size of the EU and the emergence of new negotiating blocs (such as the group of New Member States<sup>24</sup> alongside those of the existing players increases the probability that the future CAP budget will be based on the results of last minute negotiations over the scale of the EU budget, rather than a structured debate over policy objectives. The current economic situation and the emergence of the European Parliament represent additional factors that have to be taken into account.

9.3. CCW believes that Welsh Assembly Government should focus on establishing a set of key land management objectives which could be delivered regardless of the architecture of any future CAP. In this context, CCW recommends placing the emphasis on the role of farming in supporting the delivery of public goods, whilst using a range of tools such as annual payments, knowledge transfer and investment aids designed to reduce the environmental footprint of agriculture. This would send a clear signal that universal income support (the current SPS) should more properly be seen as part of a transitional approach towards a more sustainable CAP.

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*May 2010*

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<sup>24</sup> See Declaration by Group of New Member States, Warsaw, 3<sup>rd</sup> February 2010. More information at: <http://www.europolitics.info/sectorial-policies/nine-member-states-defend-principle-of-solidarity-art262111-11.html>