



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Amgylchedd a Chynaliadwyedd **The Environment and Sustainability Committee**

Dydd Mercher, 11 Chwefror 2015
Wednesday, 11 February 2015

Cynnwys **Contents**

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

Y Polisi Amaethyddol Cyffredin—Newidiadau i'r Cynllun Taliad Sylfaenol—Tystiolaeth gan
y Dirprwy Weinidog Ffermio a Bwyd
Common Agricultural Policy—Changes to the Basic Payment Scheme—Evidence from the
Deputy Minister for Farming and Food

Papurau i'w Nodi
Papers to Note

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol **Committee members in attendance**

Jeff Cuthbert

Llafur

Labour

Russell George

Ceidwadwyr Cymreig

Welsh Conservatives

Llyr Gruffydd	Plaid Cymru The Party of Wales
Mike Hedges	Llafur (yn dirprwyo ar ran Julie Morgan) Labour substitute for Julie Morgan
Alun Ffred Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
William Powell	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Jenny Rathbone	Llafur Labour
Antoinette Sandbach	Ceidwadwyr Cymreig Welsh Conservatives
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Rebecca Evans	Aelod Cynulliad, Llafur (y Dirprwy Weinidog Ffermio a Bwyd) Assembly Member, Labour (the Deputy Minister for Farming and Food)
Andrew Slade	Cyfarwyddwr, Amaeth, Bwyd a'r Môr, Llywodraeth Cymru Director, Agriculture, Food and Marine, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Alun Davidson	Clerc Clerk
Lisa Salkeld	Cynghorydd Cyfreithiol Legal Adviser
Nia Seaton	Y Gwasanaeth Ymchwil Research Service
Adam Vaughan	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 09:31.
The meeting began at 09:31.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Alun Ffred Jones:** A gaf i eich croesawu chi i gyd i'r Pwyllgor Amgylchedd a Chynaliadwyedd, os gwelwch yn dda? Mae rhai rheolau, wrth gwrs: os bydd y larwm tân yn mynd, yna dilynwch y tywyswyr allan. Pawb i ddiffodd eu ffôn symudol. Os ydych chi am gyfrannu'n Gymraeg neu'n Saesneg, mae Cynulliad Cenedlaethol Cymru yn gweithredu'n ddwyieithog, fel y gwyddoch chi. Mae cyfieithu ar y pryd ar gael ar sianel 1. Peidiwch â chyffwrdd y botymau.

Alun Ffred Jones: Could I welcome you all to the Environment and Sustainability Committee? There are some housekeeping rules that I need to announce. If there is a fire alarm, then please follow the instructions of the ushers. Please switch off your mobile phones. If you wish to contribute in Welsh or in English, the National Assembly operates bilingually, as you know, with interpretation available on channel 1. Please don't touch the buttons on your microphones.

[2] A gaf i groesawu'r Gweinidog, May I welcome the Minister, Rebecca Rebecca Evans? Fe gaiff hi gyflwyno ei Evans? She can introduce her official in just a swyddog yn y munud. second.

[3] A oes rhywun eisiau datgan Does anyone have any declarations of buddiannau? interests?

[4] **Antoinette Sandbach:** Yes. I would like to point Members to my register of interest in the register of interests for the National Assembly for Wales. I am a director of a farming company that is directly affected by changes to any of the basic payment system, but I'm no more affected than any other farmer in Wales, from that point of view.

[5] **William Powell:** Chair, I should also declare that I'm a partner in a farming business, which would be similarly affected, and that is reflected in the register.

[6] **Alun Ffred Jones:** Diolch yn fawr. **Alun Ffred Jones:** Thank you very much. Ymddiheuriadau—rwy'n gweld bod Mike Apologies—I see that Mike Hedges is here Hedges yn dirprwyo ar ran Julie Morgan. substituting on behalf of Julie Morgan. Mae pawb arall yn bresennol. Everyone else is in attendance.

09:33

**Y Polisi Amaethyddol Cyffredin—Newidiadau i'r Cynllun Taliad Sylfaenol—
Tystiolaeth gan y Dirprwy Weinidog Ffermio a Bwyd
Common Agricultural Policy—Changes to the Basic Payment Scheme—
Evidence from the Deputy Minister for Farming and Food**

[7] **Alun Ffred Jones:** Pwrpas y sesiwn y bore yma yw clywed tystiolaeth gan y Dirprwy Weinidog am ddatblygiadau diweddar mewn perthynas â'r cynllun taliad sylfaenol. Fe wnaeth y Dirprwy Weinidog ddatganiad ar y pwnc hwn ar 12 Rhagfyr. Mae gennych chi bapur briffio o'ch blaenau chi. **Alun Ffred Jones:** The purpose of this morning's session is to take evidence from the Deputy Minister on recent developments in relation to the basic payment scheme. The Deputy Minister made a statement on this issue on 12 December. You have a briefing paper for this morning's proceedings.

[8] A gaf i groesawu'r Dirprwy Weinidog atom ni? A gaf i ofyn i chi ddatgan eich enw a'ch safle a chyflwyno eich swyddog i ni hefyd, os gwelwch yn dda? Diolch. May I welcome the Deputy Minister? May I ask you to state your name and position and to introduce your official, also? Thank you.

[9] **Rebecca Evans (The Deputy Minister for Farming and Food):** Yes, it's Rebecca Evans, Deputy Minister for Farming and Food. My official today is Andrew Slade, director, agriculture, food and marine.

[10] **Alun Ffred Jones:** Ardderchog. Diolch yn fawr iawn i chi. Diolch i chi hefyd am yr atebion llawn yr ydych chi wedi'u rhoi i'r pwyllgor i'n cwestiynau ni. Rydym ni'n gwerthfawrogi hynny. Mi fydd sesiwn heddiw yn gyfle i ni holi rhai cwestiynau perthnasol, gobeithio, yn gyhoeddus. Felly, a **Alun Ffred Jones:** Excellent. Thank you very much. Thank you, also, for the very comprehensive responses that you have provided to the committee in response to our questions. We appreciate that. This session this morning will be an opportunity for us to ask some pertinent questions, hopefully, in a

gaf i ofyn i Russell George ddechrau'r public forum. So, may I ask Russell George
sesiwn, os gwelwch yn dda? Diolch. to kick the session off?

[11] **Russell George:** Thank you, Chair. Good morning, Deputy Minister, and thank you, as well, for your very comprehensive letter to the committee. I appreciate that. I wonder if you could set out the legal advice that you received on moorland payment region prior to the regulations being laid before the Assembly.

[12] **Rebecca Evans:** Well, Chair, the regulations were laid before the Assembly before I came into post, so I wouldn't be able to elaborate on any legal advice received at that time. But what I would say, just to frame the discussion today, is that the Welsh Government felt that this was a proportionate means of achieving a legitimate aim. There were two founding principles to it, and they are that the move to the area-based system should be done with minimum disruption to the industry as a whole, whilst also recognising the productivity of the land. Modelling took place from 2011, in partnership with the industry and other stakeholders with an interest.

[13] **Russell George:** What is your view on why the legal challenge was successful?

[14] **Rebecca Evans:** The case was not brought to us until around a year after the original proposals had been put forward, and it was brought at the very last moment. I believe it was successful because, as we saw in the court order that was agreed, under 400m, we could not prove that there was not land with the character of moorland in that area.

[15] **Russell George:** Could I also understand why did it take three months to receive legal advice? What I want to understand is why you took the decision to withdraw just on the very eleventh hour. I wonder if you could just talk to that point.

[16] **Mr Slade:** Legal cases or court cases of this sort are an evolving process. The initial information lodged by the applicants set out a range of arguments, and at that point we felt—Welsh Government felt—that we had a good case to make against all the points that were advanced. We had a concerted process for this, because we were up against a very tight timetable in order to work through the new basic payment scheme system. So, we ended up with a compressed timetable to deal with the whole process and we only had the final detail on the applicants' case a few days prior to the court hearing. At that point, we decided, looking at what had been provided, in consultation with our own legal advisers, that there was a material point that was being made, and we did not feel it was appropriate, following discussion with Ministers, to proceed to court, because it was clear at that point that we would not win on the specific point about discrimination, which, in a sense, is a sort of reverse discrimination—it was less about what people were being paid above the 400m line and it was more about what people were being paid below the line. In the light of that, the decision was taken with Ministers to move to a consent order, as the sensible and reasonable thing to do in the circumstances.

[17] **Alun Ffred Jones:** Ar y pwynt yma, **Alun Ffred Jones:** On this point, Llyr?
Llyr?

[18] **Llyr Gruffydd:** Nid ar y pwynt **Llyr Gruffydd:** Not on this point, no.
yma'n benodol, na.

[19] **Alun Ffred Jones:** On this point, Antoinette?

[20] **Antoinette Sandbach:** Obviously, it won't have been news to Welsh Government that you had land that had moorland characteristics below the moorland line. I mean, that, surely, was within the information that the Welsh Government had. Do you feel, in retrospect,

that the failure to have an early appeals process—because for a long time Welsh Government refused to put into place an appeals process for the moorland farmers—contributed to the discrimination that led to you throwing your hand in at the last minute?

[21] **Rebecca Evans:** Well, from my perspective, introducing an appeals process was one of the first things I did as Deputy Minister, having listened to the discussions with the industry. In fact, it was one of the first things that they drew my attention to. I was happy to put in place that appeals process, at the request of the industry, and I believe it was working well and it was appreciated by the industry. I saw cases, when I visited farms, where they had been moved out of the moorland area into the SDA on the basis that they had improved their land. It was an appeals system that was working well, I thought.

[22] **Antoinette Sandbach:** Don't misunderstand me—I'm not criticising the fact that you introduced it at all, but you're here as a representative of the Government, and my question was: prior to you introducing it, there was no appeals process, which contributed directly to the discrimination that farmers had as to whether or not they were in or out of the line. Therefore, that, I would suggest, was a breach of natural justice, because there was no appeals process. In taking forward any new scheme, what I want to know is: have you learned the lessons from that? Has Welsh Government learned the lessons from that? If you do bring forward a new scheme—you don't know what it's going to look like, but clearly you're going to have to—will you make sure that there is an appeals process involved?

[23] **Rebecca Evans:** In terms of the scheme that we will end up with, whether or not we will even need an appeals process will depend on which of the options we decide to take forward. I can talk perhaps a little bit later about the options that we are looking at. A flat rate, for example, wouldn't need an appeals system just by its very definition.

[24] **Alun Ffred Jones:** Anything else on the legal challenge?

[25] **Mr Slade:** Chairman, if I may, just simply to say, just on the appeals process, I'm not sure, as I'm not a lawyer, but I'm not sure that any appeals process in itself would have changed the point of law on which the regulations ultimately ended up being quashed. An appeals mechanism was available for people who were above the 400m line, but in a sense, what was being required was for people with land of that character below the 400m line to come forward and appeal themselves out of money: effectively, to say, 'Don't pay me as much as this, but pay me less'. As you might imagine, there would not necessarily be a stampede for that particular appeals mechanism. That is part of the difficulty that has come to light through this court case, in relation to how we were proposing to implement the system.

[26] **Alun Ffred Jones:** Diolch yn fawr. Jeff Cuthbert, on this?

[27] **Jeff Cuthbert:** Yes, just so I understand this clearly, this was linked to the 400m altitude line or contour, which was deemed to be arbitrary, but is it not the case that that was not exactly an EU ruling but, at least, common practice? If my understanding is correct, why has it only come about now as an issue?

[28] **Rebecca Evans:** The 400m line was considered appropriate in terms of defining moorland because it included climactic conditions, which you get when you're above the 400m line. Generally, it's the least productive land and, of course, we were trying to move to a system that recognised the productivity of land. Insofar as the European Commission is concerned, they didn't take any issue with our approach. Part of their way of working is to explore whether or not discrimination is taking place in proposals, and they didn't express any concern about what we were proposing.

[29] **Alun Ffred Jones:** Okay. Llyr?

[30] **Llyr Gruffydd:** Cwpl o gwestiynau. Onid yw hi felly yn ymddangos, os ydy'r Llywodraeth am wahaniaethu taliadau ar sail pa mor gynhyrchol yw'r tir, mai'r unig ffordd gyfreithiol y gallwch chi wneud hynny o hyn ymlaen yw drwy ailfapio?

Llyr Gruffydd: Just a few questions. Doesn't it therefore appear that, if the Government is to differentiate payments on the basis of the productivity of the land, the only legal way that you can do that from hereon in is by remapping that land?

[31] **Rebecca Evans:** Remapping land would take, as an estimate, two and a half to three years, with a team of perhaps 10 to 12 people doing that. So, remapping the moorland itself isn't a practical or realistic option at the moment, which is why we've said that, in future, or at least in this round of the basic payment scheme, we won't be introducing a moorland zone.

[32] **Llyr Gruffydd:** Ie, nid oeddwn i'n awgrymu eich bod chi'n gwneud hynny. Beth oeddwn i'n ei ddweud oedd na allwch chi, mewn gwirionedd felly, gyflwyno gwahaniaethu taliadau ar sail cynhyrchiant tir heb wneud y mapio.

Llyr Gruffydd: Yes, I wasn't suggesting that you should do that. What I was saying was that you can't in reality, therefore, differentiate the payments on the basis of land productivity without carrying out that mapping.

[33] **Mr Slade:** May I come in on that? I think it is a good question and it's one that we need to be as certain as we can be on before we go out to consultation on the options for hereon in in relation to the basic payment scheme. It is perfectly possible that some of the land areas that we already have, or the classifications that we have, will be sufficiently robust in legal terms to allow us to proceed to a regional model again in future, but that is one of the key things that we need to check in light of the point that you're making.

[34] One of the things that the Minister has already said in her statement is we can't proceed to a moorland zone or region in this current reform process, because we now know, as a result of the court case, that we can't demonstrate that to the point where we can avoid discrimination. So, for this reform round, we will not be able to introduce a moorland zone.

[35] **Llyr Gruffydd:** Ond rydych chi wedi ategu'ch dymuniad i sicrhau bod cynhyrchiant y tir yn cael ei adlewyrchu'n fwy effeithiol yn y modd y mae'r taliadau'n cael eu gwneud. A ydych chi felly, yn y tymor canol neu'r tymor hirach, yn bwriadu ymgymryd ag ymarferiad i ailfapio?

Llyr Gruffydd: But you have reiterated your desire to ensure that land productivity should be more effectively reflected in the way that the payments are made. Are you therefore, in the medium term or the longer term, intending to undertake a remapping exercise?

[36] **Rebecca Evans:** We said that that is the aim insofar as it is possible, given the reduced timescales available to us and the challenges that you've already outlined, with regard to moving to a regional system within Wales. So, as far as possible, we would be looking to reflect the productivity of the land.

[37] **Llyr Gruffydd:** Ond nid yw hynny o reidrwydd yn golygu y byddwch chi'n ailfapio yn y dyfodol rywbryd?

Llyr Gruffydd: But that doesn't necessarily mean that you'll be remapping sometime in the future?

[38] **Rebecca Evans:** No, there's no option to remap for this particular round of the BPS.

09:45

[39] **Jenny Rathbone:** Before we go into further detail on the method of payment,

whether it's historic or area based, I wondered if you could just give us a clearer indication of what the purpose is of the CAP, because I don't find that in the papers that you have submitted. You know, I'm struggling to understand whether our intention is to increase the amount of produce grown on Welsh land, whether it's to conserve the environment, or what, and I think, before we can have a serious discussion about one payment method or another, it'd be really useful to know what your intention is, what your ambition is for rural development.

[40] **Rebecca Evans:** The European Commission defines what the basic payment scheme should deliver, and if it's helpful I'll tell you that it says:

[41] 'Direct payments ensure a safety net for farmers in the form of a basic income support, decoupled from production, stabilising their income stemming from sales on the markets, which are subject to volatility. In order to maximise their profits, producers must respond to market signals, so that they produce goods that are demanded by consumers. Direct payments also contribute, in combination with cross-compliance, to providing basic public goods delivered through sustainable farming.'

[42] So, it's a combination of basic support for farm income as well as goods and services, environmental benefits and so on.

[43] **Jenny Rathbone:** Okay, because at the Welsh retail forum yesterday morning, we were given information about how most consumer goods were cheaper in Britain than in Europe but the exception was fruit, vegetables and potatoes. So, how could the CAP enable us to actually grow more fruit, vegetables and potatoes so that we can have them a lot cheaper than flying them across the world?

[44] **Mr Slade:** If I may, Chair, part of that depends on the nature of the regime that operates under the CAP. By and large, hitherto, horticulture has not been part of the direct payment system. In fact, if you move towards an area payment, you do have the potential to bring in, provided they're farms of a particular size, certain enterprises that engage in horticulture and production of fruit and veg and potatoes, as you were saying. The principal mechanism, though, for supporting those sectors remains the rural development programme, and it's what we do in terms of investments through that, moving forward, that I think will have the single biggest benefit in investment terms, because we will be able to provide capital investments and knowledge-based investments through the programme to support those types of enterprises.

[45] **Jenny Rathbone:** Okay, but now you've agreed to abandon the top-slicing of pillar 1—15% into pillar 2—

[46] **Mr Slade:** No, that stays.

[47] **Jenny Rathbone:** That stays. Okay, fine. Well, that's good news.

[48] **Alun Ffred Jones:** Okay. Thank you. William Powell.

[49] **William Powell:** Diolch, Gadeirydd. Minister, good morning. You referred to the tightness of the timescales and the difficulty that that brings for bringing resolution to this matter. Could you give us some indication as to when you expect to make your final decision with regard to the mode of payment and when you will be notifying the European Commission to make sure that they are content with the approach you're adopting?

[50] **Rebecca Evans:** Yes, I have the outline timetable in front of me at the moment. On 26 February, the single application form online will go live and SAF guidance and rules will

be published online. At the start of March, we'll be consulting on the basic payment scheme option. I'm pleased to say that the data modelling group has looked at all of the possible ways forward, and they have agreed that all of the pragmatic ways forward have been identified and modelled. So, I'm really pleased with the progress that's been taken forward at that end. I put on record my thanks to the members of that group and officials who have worked really efficiently to make sure that that's happened. In the middle of March, the paper SAFs will be issued to those who didn't apply online last year and guidance again, issued to all of those customers. Mid March, we'll start to inform the young and new farmers if they've been accepted under the national reserve, and 15 May is the deadline for submission of SAF forms. That's a regulatory deadline so we wouldn't have any option to change that. June, then, will be the earliest likely date for confirmation of the payment model that we decide on. Again, moving forward then to December, the payment window opens.

[51] **William Powell:** Excellent, that's helpful. Do you feel able to offer reassurance to farmers and farm businesses across Wales that payment will be made in a timely fashion within the 2015 payment window?

[52] **Rebecca Evans:** It's absolutely our intention, as always, to pay as early as possible within the window.

[53] **William Powell:** Thanks.

[54] **Alun Ffred Jones:** Antoinette.

[55] **Antoinette Sandbach:** The previous modelling work that you undertook was aimed at trying to find a model that caused the least disruption or redistribution, seeking to ensure as many farmers as possible didn't see a change in their payments of more than 10%. In the current modelling that you're undertaking, are the same principles applying?

[56] **Rebecca Evans:** The same principles apply in terms of trying to find the option that causes the least disruption to the industry, although the option we originally came forward with, which has now been quashed, was the best possible option for the industry as a whole. So, any further options will cause more disruption because there is only a fixed pot of money to be distributed in a different way now.

[57] **Antoinette Sandbach:** Well, obviously, Welsh Government made their decision on modulation based on the option that was on the moorland line. You, of course, have the option of graduating modulation—in other words, taking a lower modulation at the beginning of any new scheme that you introduce and gradually increasing that to the 15% model. Are you looking at that in order to minimise the disruption?

[58] **Mr Slade:** If I may, that rate is now fixed. We're at 15% and that's for the lifetime of the programme. The option is available to member states or regions within member states to increase the rate, as you go forward through the process—

[59] **Antoinette Sandbach:** But you're at the maximum rate.

[60] **Mr Slade:** We're at the maximum rate. England, as the committee will recall, is on 12% at the moment, but that may change in due course. Scotland, I think, is at about 9% or 10%, and Northern Ireland is at 12%. A number of countries are looking at the size of their rural development programmes in the light of what's happening in relation to the CAP and prices at the moment. I think a number of countries are looking at whether they will increase their rate of transfer over this period.

[61] **Antoinette Sandbach:** Okay. Well, given that, there was some suggestion that,

because there would be extensive disruption to the moorland farmers under the old system, you were looking at perhaps the RDP addressing that. Given the disruption that you now accept will happen—whatever the new system, Deputy Minister, you've said that there will be more disruption—are you looking at designing your RDP so that you can minimise that disruption? For example, I don't know whether you're looking at classifications around SDA—sorry, severely disadvantaged areas—or not, and whether you're considering designing the RDP to make sure that your original aim, that there was the least disruption and redistribution possible, is achieved.

[62] **Rebecca Evans:** I begin by challenging the suggestion that there was going to be major disruption in the moorland area as opposed to others, and that that was the only group of farm businesses that would see a significant reduction in payments—and when we're talking about 'significant reduction', we're talking about at least €5,000 a year, which is also 10% or more of the historic payment. Our previous model offered the least overall change, and the majority of the 13,500 farms in Wales would have stood either to gain or stay around the same, but even so, there were around 2,452 farm businesses that would have seen a significant loss, of which only 93 had more than 50% of their land in the moorland area. By contrast, 979 farms in the DA lowland area stood to see a significant loss, as did 202 in the SDA. It's also worth putting on record that, even among those moorland farms forecast to have a significant loss, the average payment would have still been €36,000 a year, which I think is a substantial amount of public subsidy by anyone's reckoning. One hundred and twenty six of the 297 moorland farms actually stood to gain, and 60 of them stood to gain significantly, with average payments of €54,000. So, I think it's worth getting that on the record.

[63] With regards to the RDP, I absolutely want to see the RDP used where it is most needed, and so there will—necessarily, I imagine, depending on the model that we take forward—be a need to refocus some of the support that we offer through the RDP. The overall balance of the financial package remains as was outlined in the consultation, and I know that committee's more than familiar with that. I don't intend to change that in the short term, and that's because of the nature of the discussions and how close we are to sign-off with the European Commission. So, I don't want to make any very short-term changes in the overall balance amongst the columns, if you like, of support within that, but I will consider, in due course, whether or not we need to alter the overall balance of the RDP. But, in terms of the schemes that we'll offer, they will be responsive to the needs of the industry, rather than being focused—as we were doing—on extra support for the uplands, because we'll put the support where it's needed.

[64] **Antoinette Sandbach:** Well, I'm very encouraged to hear that. I mean, obviously, in terms of the classification, then, that you're looking at, the moorland's going to be removed, which means that your computer systems, presumably—. Because I know there's a very complex way of filling out your forms, having done it for several years—it always takes me a very long time. But, all your forms are computer-read. So, is the design of your computer system awaiting the conclusions that you're having on which scheme is going to come into effect? In other words, have you got IT difficulties that may be on the horizon? We all know what happened when England moved over to the scheme; and to put it in a blunt word, it was fairly chaotic, or quite chaotic, or extremely chaotic. What I'm keen to do is to understand whether Welsh Government has got contingency planning for this, and, if so, can you outline to us what it is?

[65] **Mr Slade:** I do the computer stuff, so I'll answer this one. You're quite right that we had designed a system based on the original set of proposals. What we have done is we have stripped out of the computer package—the software package—those land classifications now. So, at the moment, all that will happen through the SAFF—the single application form process—will be that farmers will register their land. We will then have the liaison work with

stakeholders draw to a conclusion, provide advice to Ministers, go out to consultation, and, once we're through the consultation, and Ministers have decided on the way forward, we will then retro-fit onto the IT system the model that is adopted for the future.

[66] As your question suggests, the more complex the model adopted, the greater the changes, the greater the cost, the longer it will take to make those changes come through, and the practicalities around the delivery of the new system have got to be part of this—a major part of this—decision on the future. One of the things that the modelling group has been looking at quite carefully is what we can do, in terms of the options that we're coming up with, that is practical to be delivered in the time available. But, we would expect to be in a position to make those changes to the IT system, building on a platform that we've worked with for a number of years, that would allow us to proceed along the lines of the answer that the Deputy Minister just gave to Mr Powell about the time frames. We think we can do all that on the system.

[67] **Alun Ffred Jones:** Thank you. A number of you have indicated that you wish to ask questions, so bear with me. Can I press upon you to be succinct in your questioning, please, so that we can get to the point of the question a bit sooner? Joyce Watson.

[68] **Joyce Watson:** Thank you, Chair. I'm trying to get my head around this. Was the proposed payment to moorland farmers going to hit them the hardest out of all farmers, and could they have accessed any other financial support?

[69] **Rebecca Evans:** No, moorland farmers would have been hit—. Well, some moorland farmers, as I said in my answer to Antoinette—93 of them—would have seen significant losses, but equally, a larger number of farmers would have seen significant losses in the lowland DA and the SDA areas as well. In so far as—

[70] **Alun Ffred Jones:** Can you explain DA and SDA for us?

[71] **Mr Slade:** Disadvantaged area, and severely disadvantaged area.

[72] **Rebecca Evans:** They're the other regions within our previous approach.

[73] Of course, CAP funding has to be seen in the round, in terms of what's available from pillar 2 funding as well. Moorland farmers were particularly well placed, obviously, to receive extra funding through pillar 2 for environmental goods and services. We did some mapping for the 93 farms that were due to lose out most significantly in the moorland area, and estimated what their total payments from BPS, RDP and NRW sections 15 and 16 agreements might have provided in 2019. The total support could have been as high as £256,000 a year, with 37 farmers receiving over £50,000 a year, and 34 between £20,000 and £50,000 a year. I think that those are considerable levels of public funding as well.

10:00

[74] For the 22 farms of the 93 forecast to receive less than £20,000 a year, we've also found that there was significant scope amongst those farmers for greater participation in environmental schemes, such as Glastir. So, there was extra money to be gained through participation in Glastir as well.

[75] **Joyce Watson:** Can I just, for clarity—. Would that have been a loss or a reduction? I think that's really the key question here, to those farmers.

[76] **Rebecca Evans:** There were 93 who would have had a significant loss, but then there would have been other opportunities for them to achieve extra payments through pillar 2

support.

[77] **Joyce Watson:** So, it would have been a reduction in what they would have got.

[78] **Rebecca Evans:** It would have varied from farm to farm.

[79] **Joyce Watson:** Thank you.

[80] **Alun Ffred Jones:** Are you on this point, Mike?

[81] **Mike Hedges:** Yes, just two very brief bits on this point. You did say earlier about a €36,000 a year subsidy. That, by my calculation, compares very favourably with the median wage in Wales. Would you agree with that? The other question is: if you minimise disruption, aren't you locking in unfairness?

[82] **Mr Slade:** In relation to the wage, I suppose in terms of agricultural subsidies, that figure that you mentioned, in the mid-thirties, compares with the average amount of CAP direct subsidy going on farm, which would be about £16,500 a year. So, that gives you some sense of what would have been going into the losers under the moorland zone.

[83] On the other point, the locking in, that is a very interesting point. One of the features of the current system is that it's pretty arbitrary in terms of what people are entitled to at the moment. It's based on a reference period that now dates back to about 2000-02 and/or in relation to what entitlements have been traded or bought in since that period. Now, that might have a direct relation to the agricultural enterprise, but it might not. There's no requirement to be farming in a particular way other than to meet our core cross-compliance requirements to receive that money. So, at the moment, we have a system that is pretty arbitrary. A lot has been said about fairness and unfairness. It is quite hard to be able to explain now, when we go on to farms, that of two almost identical enterprises sat alongside one another, being farmed in very similar ways, supporting a family and so on, one may receive £50,000-worth of European money, the one next door may receive £5,000 or, in some cases, less. What will happen eventually, through a move to an area-based payment, is that there will be much more transparency about what those farmers are being paid.

[84] **Mike Hedges:** Can I just ask one last question on this? The Minister mentioned €36,000, you have taken it down to £6,500; I'm well aware that that is not a quick translation, as €36,000 is worth approximately—

[85] **Antoinette Sandbach:** It's £16,500.

[86] **Mike Hedges:** Pardon?

[87] **Alun Ffred Jones:** Excuse me; Mike.

[88] **Mike Hedges:** So, €36,000 would be worth £24,000. How do you get from £24,000 to £16,500, between those two answers?

[89] **Mr Slade:** Sorry, the point I was making was in response to how that €36,000 compares to other things, and what I was comparing that with was the average payment through the CAP onto farm, which is £16,500.

[90] **Mike Hedges:** I was comparing it to the average wage for people who are working in Wales who don't get a subsidy for what they do.

[91] **Rebecca Evans:** You make a very important point in the sense that this is public

money, so we need to create a system that is fair and that does deliver public goods and services.

[92] **Alun Ffred Jones:** We're not here to discuss the merits of the CAP, but it was a scheme devised by Governments, I would have to point out, not by farmers. That was a decision made after the second world war. But, I'm not going to sort that one out this morning; we are here to quiz the Deputy Minister on the present circumstances we're in. Llyr Gruffydd, and then I'll come to you, Jenny.

[93] **Llyr Gruffydd:** Diolch. Roeddech chi'n sôn yn gynharach bod y newidiadau yn mynd i olygu efallai y byddai'n rhaid newid ychydig bach ar y pwyslais o fewn y rhaglen datblygu gwledig. A oes unrhyw oblygiadau yn hynny o beth o ran pryd y byddwch yn dod i gytundeb gyda'r Comisiwn Ewropeaidd ar y rhaglen honno?

Llyr Gruffydd: Thank you. You mentioned earlier that the changes would mean that there might have to be some change of emphasis within the rural development plan. Are there any implications in that regard in terms of when you will come to an agreement with the European Commission on that programme?

[94] **Rebecca Evans:** No, there are no implications there. Since November, we have been in detailed negotiation with the EC, and I'm really pleased with the progress that we've made. As you know, there are 118 programmes being assessed by the EC and only nine of those have so far been agreed. We've been given to believe that ours is one of the ones at the advanced stage, and we hope for a letter by the end of this month giving us informal approval, and that will give us leave to open programmes on the basis of us going ahead at risk as Government. But, as I say, we're pleased with the progress we've made and there are no significant issues that we're in negotiation on.

[95] **Llyr Gruffydd:** Ocê. Diolch am hynny, ond a oes cwestiwn i'w ofyn ynglŷn â rôl y Comisiwn Ewropeaidd yng nghydstun y taliadau, oherwydd oni fyddem yn disgwyl y bydden nhw—gan eu bod nhw wedi bod yn y *loop* drwy'r broses—wedi pigo i fyny ar gwestiynau ynglŷn â pha mor gyfreithlon oedd y drefn a oedd yn cael ei argymhell?

Llyr Gruffydd: Okay. Thanks for that, but is there a question to be asked on the role of the European Commission in the context of the payments, because wouldn't we expect them—as they have been in the loop throughout the process—to have picked up on some of the questions as to the legality or otherwise of the system proposed?

[96] **Rebecca Evans:** As I said earlier, the European Commission didn't have any issue with what we were proposing.

[97] **Llyr Gruffydd:** Onid yw hynny'n peri gofid i chi?

Llyr Gruffydd: But doesn't that cause you any concern?

[98] Doesn't that cause you any concern?

[99] **Mr Slade:** We have to talk to the Commission about our new payments scheme model. We were required to submit data to them and information on the way forward as far as we were concerned by the end of July of last year. We then entered into a series of quite lengthy discussions with them about this. They had all of our data. My team went out in the early autumn to take them through all of this. I don't think it's particularly something we wish to lay at the feet of the Commission, but I think it's important for the committee to understand that, in developing these options, as the Minister has said, in order to try and deliver the best fit for Welsh agriculture as a whole, we felt we had a legitimate and proportionate means of trying to address the agricultural potential of the land on the one hand while, as the Minister said, trying to minimise turbulence for people coming off a particular set of payments at the

moment under the current system. We were comfortable that that was the case internally within Welsh Government and the Commission also raised no objections to what we were proposing.

[100] **Llyr Gruffydd:** Cwestiwn olaf yn fyr iawn, 'te: mae'r Llywodraeth nawr o dan bwysau, wrth gwrs, i ddelifro system o daliadau newydd. Mae'r cloc yn ticio. A oes yna berig y byddwn yn ffeindio'n hunain mewn sefyllfa lle'r ydym ni'n mabwysiadu system o daliadau, er mwyn cael system o daliadau, nad yw o reidrwydd, falle, yr un gorau posib, ac a oes yna le i ystyried mabwysiadu trefniant dros dro, os ydy hynny o fewn y rheoliadau—cewch chi fy nghywiro i os nad yw e—am flwyddyn er mwyn cymryd cam yn ôl, asesu'r sefyllfa a sicrhau bod yr hyn a fydd gennym am weddill cyfnod y CAP yn gyfnerth ac yn gwbl gyfreithiol ac yn gwbl addas?

Llyr Gruffydd: A final question very briefly: the Government is now under pressure to deliver a new payments system. The clock is ticking. Is there a risk that we will find ourselves in a situation where we adopt a payments system, in order to get that system in place, that isn't necessarily the best one possible, and is there actually room to consider a transitional arrangement, if that is within the regulations—you can correct me if it's not—for a year in order to take a step back to assess the situation and to ensure that what we have for the rest of the period of the CAP is robust and entirely legal and entirely appropriate?

[101] **Mr Slade:** We don't have any option about this—we are in the CAP reform programme period now. It's a point that's been made to me and the Minister on a couple of occasions: 'Could we not postpone everything for a year and come back to it?' But we're now in the new multi-annual financial framework, which ties to the CAP regime, and we're also obliged to get into the Commission by early next year all of the details about our new payments and the entitlements that are attached to those payments by holding. So, we're now in the system. That, as you say, increases the time pressure on us to get things sorted out, but we don't have an option of delaying things for a year.

[102] **Alun Ffred Jones:** Russell George, then Jenny.

[103] **Russell George:** Regarding single application forms, you've said that they haven't been delayed in being sent out, if I'm right. Clearly, there's information, though, on those forms that farmers can't complete at the moment, but the deadline remains the same for farmers to return SAF forms. Is there no possibility that that time can be extended at all?

[104] **Rebecca Evans:** It's a regulatory deadline for 15 May, but Andrew referred in a previous answer to the fact that farmers can give us the information that we need at the moment and then, if we were to move to a regional system, we would retro-map onto those forms.

[105] **Mr Slade:** In some senses, it's actually slightly simpler for the farmer. My team may be less happy about that, but the truth is we'll be asking people to declare their land on the SAF, but we won't be asking them to make a judgment about whether it falls within a particular regional zone. We will then, as the Minister said, apply backwards onto the system the model that is adopted following consultation.

[106] **Russell George:** I think what the concern is is that there is a shorter, obviously, period for farmers to complete their information, but in reality it's not farms that are completing the information, its agents or unions acting on their behalf, so clearly they've got less of a time frame in which to do this work. So, you know, what support can you offer them?

[107] **Mr Slade:** It's the same time frame—I mean, it's a good point, but it's the same time

frame as before. We'll have the SAF online form available by the end of this month; the paper version, as the Minister was setting out earlier, will be available along with the guidance booklet—. The guidance, sorry, is available online the moment we go live with it. The paper version of that will be available in early March and everybody has the traditional run through to 15 May to get that material processed and submitted. The Fifteenth of May, as the Minister has said, is a non-negotiable deadline. That is it. It's under the integrated administration and control system applied by Europe. An earthquake or six months of floods might have allowed us to plead force majeure, but I'm afraid this particular case won't allow us to do that.

[108] **Alun Ffred Jones:** Well, obviously, we don't wish for that at the moment. *[Laughter.]* Jenny.

[109] **Jenny Rathbone:** Going back to the holy grail of what Governments decide, clearly the historic method of dividing up CAP is inequitable because of the example that Andrew Slade gave. How quickly can we envisage you moving to an area-based system, which therefore gives people, you know, an equitable slice—well, an equal slice—of the subsidies available based on, you know, the size of the farm and other features that you decide?

[110] **Rebecca Evans:** Well, there are three or four broad options being looked at at the moment. One is a regional approach, so that would be using different combinations of the severely disadvantaged areas, disadvantaged areas and lowlands; a flat-rate approach, which, I suppose, would offer the kind of equity in terms of land parcels, at least, that you're talking about; and a flat rate over a longer timescale using tunnelling, so converging over a longer time period. Also, options are being looked at as to whether to adjust the number of entitlements issued, or their value, and whether the option to make redistributed payments would help, but we've modelled those and that would cause quite significant change. So, those are the options that the modelling group have been looking at at the moment. Well, those, I think it's fair to say, are the remaining options available to Government.

[111] **Jenny Rathbone:** Okay. The fine detail, obviously, is difficult to grasp, but the perception is that, at the moment, what we appear to be doing is subsidising the supermarkets, because they are allowed to get away with, you know, offering ridiculously low prices for milk, and that must be only because of the subsidy of the CAP, otherwise these dairy farmers would cease to exist, if they're being paid less than production costs.

[112] **Rebecca Evans:** I think it's fair to say that the supermarket contracts vary.

[113] **Jenny Rathbone:** Yes, that's true.

[114] **Rebecca Evans:** Some do pay cost-of-production contracts. I've visited many dairy farmers over recent months, with many different kinds of contracts, and that's been a real eye-opener really, to see how those different businesses are faring in very difficult times, based on what kind of contract they've been able to secure.

[115] You'll be aware that I've ordered an independent review of the dairy industry in Wales, and that's due to report at the end of this month. As part of that, they will be looking at how the RDP in particular can be used to support the dairy industry in Wales. I'm looking forward very much to those recommendations.

[116] **Alun Ffred Jones:** William Powell.

[117] **William Powell:** Diolch, Gadeirydd. Minister, you referred to—

[118] **Alun Ffred Jones:** Can I just stop you for a minute, William? We were due to stop at 10.15 a.m. Have you got a few minutes to extend this discussion, seeing as it's going so well?

[119] **Rebecca Evans:** Of course.

[120] **Alun Ffred Jones:** William.

[121] **William Powell:** Thank you very much. Minister, you referred to the need, potentially, to reprioritise the RDP. Now, one issue that's come up in recent weeks has been the future of the young farmers movement, which, since moving into post, you've taken an active role in engaging with, and I've been present at some of the events where you've done so. Are you sanguine that the RDP may offer a vehicle for sustainable funding of the young farmers' movement, particularly since Professor Wynne Jones has spoken so warmly about the young farmers' contribution to knowledge transfer, succession planning and sort of securing the future of the industry?

[122] **Rebecca Evans:** I share your enthusiasm about young farmers, not only for what they can offer for the industry but for rural communities more widely. You'll be aware, of course, that my officials have been in discussion with the young farmers since before Christmas, and I do hope to be able to say something more on this shortly, but I don't have anything for you this morning, I'm afraid.

[123] **William Powell:** Thank you. Chair, one final left-field question, if I may. Mr Slade referred to the possibility of earthquake.

[124] **Mr Slade:** I may regret that.

10:15

[125] **William Powell:** On 7 May we face a situation where, for the first time since 1983, a significant political party is prepared to consider the European Union, which is the basis of the whole regime of payments that we've been talking about, and our Chair has addressed the origins of, going back to the 1940s, which he gave us a flavour of. Is there, at any level, scenario planning going on—

[126] **Antoinette Sandbach:** I object to this as being out of order.

[127] **Alun Ffred Jones:** No, no. Hold on. I haven't heard the question yet. [*Laughter.*] Can you come to the question and then I'll—

[128] **William Powell:** Chair. Is, at any level, work going on to scenario plan for a situation where the UK is no longer a member state of the European Union, given how central the CAP is to the future of Welsh agriculture?

[129] **Alun Ffred Jones:** It's a good question, but I'm not sure whether the Minister is in a position to answer. If you want to offer an opinion—

[130] **Rebecca Evans:** I could offer an opinion, but that would be it. So, I think we'll leave that one there.

[131] **Mike Hedges:** Surely, if CAP goes, CAP subsidies go.

[132] **Antoinette Sandbach:** Can I go back to—?

[133] **Alun Ffred Jones:** Yes. This is an interesting area, but we're not going into it this morning. Antoinette.

[134] **Antoinette Sandbach:** Minister, as you know, there was substantial delay in deciding—. Well, it was a substantial process getting up to the announcement in terms of the initial rates that were going to be paid under the former system, nearly a two-year process. As you know, a lot of farmers did a lot of business planning that had been put on hold, because the rates hadn't been announced. They then undertook their business planning on the basis of the scheme as was announced, with the rates that they were expecting to get paid, and, clearly, that will have gone forward in business plans and to banks, for example, in terms of lending, and so on, in on-farm investment. So, when are farmers going to know what the actual rates are that they're going to be paid? Do you have a deadline date so that you can say, 'We know we will have come to a decision, definitely, by this date'?

[135] **Alun Ffred Jones:** That's the question.

[136] **Antoinette Sandbach:** And secondly—

[137] **Alun Ffred Jones:** No, that's the question. We'll stop at that question. Do you have a date?

[138] **Rebecca Evans:** Well, all figures have always been indicative, but you make a good case, really, for supporting our previous approach in the sense of, you know, trying to minimise disruption to individual farm businesses in order to help them be able to plan and take that long-term view.

[139] In terms of the timeline as to when we'll be able to let farmers know—.

[140] **Mr Slade:** Well, Ministers will come to a decision on the options following the consultation process. We will then signal that, but we will have to go and get that cleared with the European Commission. But, at the point that we are going out to consultation, we would hope to set out the indicative rates again, so that people could be making an informed contribution to the consultation exercise on the basis of the predicted rates. But, as the Deputy Minister said, it is all indicative, because we don't know how much actual land is going to come into the system until everybody declares their provisional, or their bid for, entitlements.

[141] Just to say—and it's a very important point about business planning and trying to create an environment in which businesses can plan for the future; it's going to be a key part of the development of agriculture in this country—my team talks regularly to the banks. I was talking to the banks last night up in Wrexham, in fact, and they're well aware of what's going on. We're in touch with them regularly in terms of what's happening, when we think payments might be made, et cetera. So, we're trying to keep all the other parties in the industry, and around the industry, informed of what's going on.

[142] **Alun Ffred Jones:** Before you go on, Antoinette, Jeff, you wanted to come in on this point.

[143] **Jeff Cuthbert:** Just very quickly. Payments are calculated in euros.

[144] **Mr Slade:** Yes.

[145] **Jeff Cuthbert:** Is the rate of exchange determined now, or is it the value of the euro at the time? I'm thinking of the situation in Greece and how that might impact upon the value of the euro.

[146] **Rebecca Evans:** It's calculated annually in September.

[147] **Jeff Cuthbert:** So, it's a fixed rate as at September.

- [148] **Mr Slade:** For the year ahead.
- [149] **Jeff Cuthbert:** Right.
- [150] **Joyce Watson:** So, it'll be last September.
- [151] **Jeff Cuthbert:** Yes, last September.
- [152] **Alun Ffred Jones:** Antoinette, did you have a follow-up question?
- [153] **Antoinette Sandbach:** Well, I was glad to hear that you are talking to the banks, but, obviously, because there are going to be considerable cashflow issues for famers—
- [154] **Alun Ffred Jones:** Questions, please.
- [155] **Antoinette Sandbach:** So what support are you offering to farmers that will, effectively, be experiencing cashflow difficulties as a result of the previous scheme's being scrapped?
- [156] **Rebecca Evans:** The best we can do, I think, is continue to work to try and get payments out to farmers as early as we can in the window.
- [157] **Mr Slade:** I was deeply encouraged by what the banks said yesterday, and the Minister has been saying this for some time, so it was pleasing to hear the banks say the same thing, which is that the future prospects for agriculture are excellent, if you look across the world and at Wales's potential to compete effectively in world markets, and the banks are willing to lend money and they see agriculture as a good bet for the future. One of the things that we came across very clearly last night in this meeting in Wrexham was that the banks are prepared to talk to farmers about their individual circumstances, including their cashflow, and they wanted to have that dialogue early rather than leave it to the last minute, but were prepared to have those discussions with farmers. It was a very constructive and positive view that was being put across, and I believe what was being said.
- [158] **Antoinette Sandbach:** Well, I'm glad to hear that, but lending money always comes at an interest cost. That interest cost is on the farm.
- [159] **Mr Slade:** That's true, but that's—
- [160] **Alun Ffred Jones:** That's not a question, anyway, so you don't have to respond to that. Russell George.
- [161] **Russell George:** May I ask how much do you estimate will be paid out to farmers in reimbursements due to outstanding stage two appeals? What's your budget for that?
- [162] **Rebecca Evans:** We've reimbursed 107 stage two moorland cases, and that has cost in the region of £140,000. Only two claimants have offered us their invoices for appealing the SDA. There are 42 of those left to claim, and I'll be writing to them shortly with a final reminder that they need to submit their claims.
- [163] **Russell George:** So, what budget have you got in place? Obviously, you've got more to come in, so you must have a budget in place to allow for that.
- [164] **Rebecca Evans:** This comes out of the agriculture, food and marine main expenditure group.

[165] **Russell George:** Right, okay. And, overall, as a result of those costs, which obviously weren't in the budget at the beginning of the year, and legal costs, what is the total cost to your portfolio as a result of the changes?

[166] **Rebecca Evans:** The total cost thus far has been £140,000. We don't know yet what the cost will be or whether the remainder decide to submit their claims to us. In terms of legal costs, we've been invoiced in the order of £18,000, but there's a review going on into the legal advice that we were offered, so we'll be considering that further.

[167] **Russell George:** So, what area of your portfolio will be affected as a result of these costs? What scheme will be affected or how is this going to be accommodated in your budget?

[168] **Mr Slade:** This will have to be part of what happens every year in relation to things that happen in year that weren't necessarily foreseen at the start of the operational period. It will probably come out of the line within the budget that deals with CAP administration in the round, as part of the overall MEG, but it's impossible to say at the moment quite what the wider impacts will be. A lot depends on what does and doesn't come in in relation to spend within the year more generally.

[169] **Russell George:** Can you keep us as the committee—

[170] **Rebecca Evans:** Yes.

[171] **Alun Ffred Jones:** Ocê. Dyna ni. Wel, diolch yn fawr i'r Dirprwy Weinidog, Rebecca Evans, ac i Andrew Slade am ddod atom ni y bore yma. Mi fyddwch chi'n cael copi o'r cofnodion, o'r—beth ydy'r gair?
Alun Ffred Jones: Okay. Well, thank you very much, Deputy Minister, Rebecca Evans, and Andrew Slade for joining us this morning. You will receive a copy of the minutes, of the—what's the word?

[172] **Mr Davidson:** Trawsgrifiad.

Mr Davidson: Transcript.

[173] **Alun Ffred Jones:** Trawsgrifiad, ie—er mwyn i chi sicrhau ei gywirdeb o. Diolch yn fawr iawn.
Alun Ffred Jones: Transcript, yes—so that you can check it for accuracy. Thank you very much.

[174] Thank you very much, both of you, for answering so fully the queries—strange and leftfield as some of them were. [*Laughter.*] Diolch yn fawr iawn.

10:23

Papurau i'w Nodi Papers to Note

[175] **Alun Ffred Jones:** Symud ymlaen i eitem 3. **Alun Ffred Jones:** Moving on to item 3.

[176] Moving on to the third item, which is papers to note. There are three papers there. Is everybody content just to note them? The date of the next meeting is 26 February. On that happy note, we'll conclude this morning's proceedings. Thank you very much.

*Daeth y cyfarfod i ben am 10:23.
The meeting ended at 10:23.*

