



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

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

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

**Dydd Llun, 28 Tachwedd 2011
Monday, 28 November 2011**

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

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

Aelodau'r pwyllgor yn bresennol

Committee members in attendance

Vaughan Gething	Llafur (Cadeirydd y grŵp gorchwyl a gorffen) Labour (Task and finish group Chair)
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
Rebecca Evans	Llafur Labour
Llyr Huws Gruffydd	Plaid Cymru The Party of Wales
William Powell	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Antoinette Sandbach	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol

Others in attendance

Ed Bailey	Llywydd, NFU Cymru President, NFU Cymru
Sue Evans	Cyfarwyddwr Polisi, Cymdeithas Tir a Busnesau Cefn Gwlad Policy Director, Country Land and Business Association
Dr Nick Fenwick	Cyfarwyddwr Polisi Amaethyddol, Undeb Amaethwyr Cymru Director of Agricultural Policy, Farmers' Union of Wales
Johnny Humphries	Cymdeithas Tir a Busnesau Cefn Gwlad Country Land and Business Association
Mary James	Cyfarwyddwr, NFU Cymru Director, NFU Cymru
Dylan Jones	Cadeirydd, Clybiau Ffermwyr Ifanc Cymru Chairman, Wales Young Farmers Clubs
Emyr Jones	Llywydd, Undeb Amaethwyr Cymru President, Farmers' Union of Wales
Marc Jones	Cadeirydd y Pwyllgor Materion Gwledig, Clybiau Ffermwyr Ifanc Cymru Rural Affairs Committee Chairman, Wales Young Farmers Clubs
Kay Lewis	Swyddog Datblygu, Clybiau Ffermwyr Ifanc Cymru Development Officer, Wales Young Farmers Clubs
Dylan Morgan	Dirprwy Gyfarwyddwr, NFU Cymru Deputy Director, NFU Cymru
Rhian Nowell-Phillips	Dirprwy Gyfarwyddwr Polisi Amaethyddol, Undeb Amaethwyr Cymru Deputy Director of Agricultural Policy, Farmers' Union of Wales
Ben Underwood	Cymdeithas Tir a Busnesau Cefn Gwlad Country Land and Business Association

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

Leanne Hatcher	Dirprwy Glerc Deputy Clerk
Nia Seaton	Ymchwilydd Researcher
Naomi Stocks	Clerc Clerk

Cynhaliwyd y cyfarfod yn y Ffair Aaeaf, Llanelwedd.
The meeting was held at the Winter Fair, Builth Wells.

Dechreuodd y cyfarfod am 10.35 a.m.
The meeting began at 10.35 a.m.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Vaughan Gething:** Good morning and welcome to members of this Common Agricultural Policy Task and Finish Group, a task and finish group of the Environment and Sustainability Committee, which is considering CAP and the proposed reforms. I would like to welcome members of the public who are joining us today to watch us and all our witnesses who will be giving evidence today. The meeting is bilingual. Members have headphones which can be used to hear the simultaneous translation and to amplify the sound if things get noisy—if they start up with the Queen tribute band next door. I remind everyone to turn off mobile phones and BlackBerrys as they interfere with the electronic equipment. This is a formal public meeting so Members do not need to turn microphones on and off. That will be managed by our friendly staff to our right.

[2] We understand that there are no fire tests planned for today, so, if the fire alarm goes off, please follow the direction of the ushers. There are no apologies or substitutions; we have a full complement today so we will move straight to our first group of witnesses.

10.36 a.m.

Ymchwiliad i'r Diwygiadau Arfaethedig i'r Polisi Amaethyddol Cyffredin:
Tystiolaeth gan Undeb Cenedlaethol Amaethwyr Cymru ac Undeb Amaethwyr
Cymru

Inquiry into Proposed Reforms to the Common Agricultural Policy: Evidence
from the National Farmers' Union Cymru and the Farmers' Union of Wales

[3] **Vaughan Gething:** Welcome and good morning to NFU Cymru and the FUW. We have with us Ed Bailey, Mary James and Dylan Morgan from the NFU. Good morning. We also have Emyr Jones, Nick Fenwick and Rhian Nowell-Phillips from the FUW. We will start with brief opening comments, as we have offered that opportunity to everyone who has given evidence to us. All I would ask is that there is one statement from each organisation. When we come to answering questions, it will be for you to decide who answers from each organisation, but I ask that we try to keep it to one contribution each, as I would like to try to get through a number of subjects and, in the hour we have, I am conscious that we do not want to have a large range of comments to each question from lots of different people. I hope that that will be a matter for you to organise, but, if there is a need, I will try to move us on. There is a fair amount to get through. In terms of opening statements, perhaps the NFU would like to start and then we will move to the FUW.

[4] **Mr Bailey:** Thank you, Chairman. NFU Cymru would like to thank the Environment and Sustainability Committee for recognising the importance of the future of the CAP to Wales by establishing this group. We hope that the group will have a key role to play in collecting evidence and scrutinising the Welsh Government throughout the whole reform process. The outcome of the CAP reform negotiations will be the key to determining the future of the agricultural industry in Wales. As an organisation, we are at the very early stages of interpretation and have just begun to inform and canvass the views of our members. The views contained in our written and oral evidence must therefore be regarded very much as preliminary and provisional.

[5] As you know, at present, Wales operates a historic payment system, but will be required to move to a uniform area payment by 2019. There is massive concern among farmers in Wales that the shift away from a historic payment system to one based on a flat-rate area payment will result in a significant redistribution of resources. The legislative texts as currently tabled provide for devolved administrations such as Wales to refine the flat-rate area payments and split Wales into regions on the basis of objective and non-discriminatory criteria. NFU Cymru's view is that there needs to be intensive and thorough modelling work undertaken by the Welsh Government to establish how excessive resource redistribution can be mitigated within the parameters laid down by the European Commission but without making the scheme overly complicated for farmers and Welsh Government to implement.

[6] The proposals state that transition to an area payment has to be completed over a five-year period. Many businesses will not be able to adapt to the speed of change. We are also concerned that only 60 per cent of the budget set aside for the basic payment could be used as a top-up to provide for a share of the difference between the value of a farmer's previous single farm payment and his new total entitlement value. The proposals set out a number of additional payments that the Welsh Government would have to make provision for in addition to the basic payments from the Wales financial ceiling. These include a greening payment, a young farmers payment and a small farmers scheme, which are compulsory, together with payments for areas of natural constraint and coupled support, which are voluntary. In addition, money must be set aside in year 1 to establish a national reserve. Although these elements will find their way back to farmers in Wales, it is clear that what we know today as the single farm payment will look entirely different in 2014.

[7] Notwithstanding our total opposition in principle to green direct payments, the Welsh Government needs to explore how Glastir can automatically fulfil the greening requirements under pillar 1 as the draft regulations proposed for those farming organically. Welsh farmers urgently need to know what their position is with regard to the potential impact of greening on commitments entered into under the Glastir five-year agreement. As currently drafted, greening is a compulsory action for farmers wishing to receive the basic payments.

[8] In our view, it is therefore no more than a super-cross-compliance. It will lead to restrictions and limitations on production and a reduction in the ability to respond to market signals, as well as significant additional bureaucracy. If greening is implemented, then the amount of resource allocated needs to be reduced and the prescriptions need to be more flexible to take into account the environmental diversity already apparent across the Welsh countryside. We sincerely hope that, as a result of the reform of the CAP, all farmers in Wales, in whatever sector, can look forward to a certain and profitable future, which will, at the end of the day, be greatly beneficial to the Welsh economy.

[9] **Vaughan Gething:** Many thanks, and over to the Farmers' Union of Wales for an opening statement.

[10] **Mr E. Jones:** Thank you, Chairman. I will be quite brief as I know most of you would like to enjoy the winter fair. The weather is exceptional, so I am sure that we will have

two very enjoyable days here in Builth. First, I thank you for the invitation to what is likely to be the first of many evidence sessions. By creating this task and finish group at an early stage in the new Assembly, the Environment and Sustainability Committee recognised the importance of the CAP to Wales, and I trust that the timetable ahead of us will also be recognised by the committee over the coming months and years, either through the creation of a full committee and a rolling inquiry, or the establishment of further task and finish groups, without losing any expertise gained by committee members during the current inquiry.

[11] The importance of CAP to Wales is clearly highlighted in our written evidence. However, it would not have been appropriate to produce anything less, given that we are dealing with a policy that delivers the best part of €0.5 billion euros to Wales's economy every year, and that a multiplier effect means that those monies generate a huge amount of further income to our economy in both rural and urban Wales. That is why, as is shown in our evidence, the FUW has been looking in detail at CAP reform and its implications for Welsh agriculture for at least the past two and a half years, and has urged successive Welsh Governments to do the same. We look forward to answering questions on that work and on our written evidence.

[12] **Vaughan Gething:** Thank you both very much for your opening statements. Thank you also for the written evidence that you have provided in advance, which Members have had the opportunity to read and consider. We will start with some questions from Llyr Huws Gruffydd.

[13] **Llyr Huws Gruffydd:** Un o'r meysydd nad ydym fel grŵp wedi cael y cyfle i wyntyllu'n iawn yw hawliau a'r modd y mae rheiny yn cael eu dyrannu. Maent yn thema amlwg yn y dystiolaeth ysgrifenedig yr ydym wedi'i derbyn gan y gwahanol gyrff sy'n rhoi tystiolaeth i ni heddiw. Yr wyf yn awyddus i chi ymhelaethu ar y sylwadau yr ydych yn eu gwneud ynglŷn â'r modd y mae'r rheiny'n cael eu dyrannu a'r flwyddyn gyfeirio 2014 ac yn y blaen. Mae sôn ym mhapur Undeb Amaethwyr Cymru am hapfasnach a *land banking* a'r goblygiadau sy'n dod yn sgîl hynny. Felly, yr wyf yn awyddus i glywed mwy gennych ynglŷn â'ch gofidiau chi o gwmpas hynny.

Llyr Huws Gruffydd: One of the areas that we as a group have not had an opportunity to look at in great detail is entitlements and how those are to be allocated. They are a very apparent theme in the written evidence that we received from the various organisations giving evidence to us today. I am keen for you to expand upon the comments that you have made on how entitlements are allocated and the reference year 2014 and so on. There is reference in the Farmers' Union of Wales paper to speculation and land banking and the implications that arise out of that. Therefore, I would like to hear a little more from you on your concerns around those issues.

[14] **Dr Fenwick:** Mi atebaf yn gyntaf. Yr wyf wedi cwmpo mewn i'r twll o geisio defnyddio fy ail iaith o flaen pwyllgor yn y gorffennol,

Dr Fenwick: I will respond to that first. I have fallen into the hole of trying to use my second language in front of a committee in the past,

[15] so, if you do not mind, I will answer in my first language. Our initial conversations with land agents and our members of staff who consider thousands of integrated administration and control applications each year, and help farmers to complete them, has raised serious concerns regarding having a future reference date that farmers and landowners are forewarned of. It is unprecedented and it is inevitable that it will result in land banking and increased land prices and rental prices. There is always a concern that you make a self-fulfilling prophecy by warning of these things, but I do not think that farmers are that stupid. If they see something like this become a real proposal, rather than a draft proposal, the chances are that they will do what any intelligent businessman would do and speculate, if that is an option for them. We have done an initial straw poll of the number of people who rent

land from others who claim single payment and it seems that the vast majority are renting land, on whatever type of agreement, from people who are already claiming single payment on another part of their land.

10.45 a.m.

[16] So, while the Commission's decision in its draft document to link claims in 2014 to having made a claim in this year is a small step in the right direction, in the vast majority of cases, it will not mitigate that problem of land banking. It is something that we regard as being of equal concern to the greening issue, and it has the potential to displace genuine farmers, which goes completely against one of the Commission's prime objectives.

[17] **Mr Morgan:** As Nick has outlined, having a future historic reference date is unprecedented, and is certainly something that we need to consider. The only problem is, if you go with a historic reference date, there are issues there as well. The further back you go, the more land changes there are between that date and when the scheme starts. You would need to look at an expanded and wider national reserve to cover all those issues. We have run a series of road shows over the last few weeks, at which we have heard of genuine cases of farmers who did not claim entitlement in 2011, but whom we would term as genuine farmers and whom you would expect should be in the scheme from 2014. So, there are a number of issues to consider. We would agree with Nick that the way they have it at present is not perfect, and that there are pros and cons with each possible scenario.

[18] **Llyr Huws Gruffydd:** Yr wyf yn sicr bod nifer yn rhannu'r un gofidiau, ond sylwais fod yr FUW yn cynnig rhyw fath o awgrym ynghylch model posibl i'w ddefnyddio, a thybiaf y byddai'r pwyllgor yn awyddus i gynnig rhai syniadau, yn hytrach na dim ond dweud bod rhywbeth ddim yn addas. A allech ymhelaethu ychydig ar yr hyn yr ydych yn ei amlinellu yn eich papur?

Llyr Huws Gruffydd: I am sure that many share the same concerns, but I noticed that the FUW makes a suggestion regarding a possible model that could be used, and I suspect that the committee would be keen to offer some ideas, rather than simply say that something is not suitable. Can you expand on what you outline in your paper?

[19] **Dr Fenwick:** Yr ydym yn teimlo bod system Tir Mynydd wedi gweithio'n iawn a'i bod yn bwysig inni ystyried system debyg—a phwysleisiaf y gair 'ystyried'. Efallai y bydd y gwaith modelu mae Llywodraeth Cymru yn mynd i'w wneud yn tynnu sylw at y ffaith nad yw'r system sy'n cael ei chynnig yn un berffaith i Gymru. O'i gymharu â'r hyn mae'r Comisiwn yn ei awgrymu ar gyfer 2014, yr ydym yn awgrymu system debyg i Tir Mynydd, lle caiff ffermwyr daliadau ar sail faint o dir sydd wedi'i nodi o dan y System Integredig Gweinyddu a Rheoli. Byddai hynny'n adlewyrchu'r gwir o ran yr hyn mae ffermwyr yn ei wneud ar y tir. Ni fyddai'n golygu system lletchwith nac ail-greu system hanesyddol, oherwydd byddai taliadau'n cael eu seilio ar faint o dir sydd ar yr IACS mewn unrhyw flwyddyn. Mae ffermwyr wedi arfer â system Tir Mynydd. Gallai fod problemau; er enghraifft, efallai y byddai taliadau yn mynd i fyny ac i lawr ychydig, yn dibynnu ar

Dr Fenwick: We believe that the Tir Mynydd system has worked well and that it is important that we consider a similar system—and I emphasise the word 'consider'. The modelling work that the Welsh Government will be doing might draw attention to the fact that the system being proposed is not perfect for Wales. Compared to what the Commission is suggesting for 2014, we are suggesting a similar system to Tir Mynydd, where farmers receive payments based on the amount of land that they have under their Integrated Administration and Control System. That would truly reflect what farmers do on their land. It would not be a cumbersome system nor would it re-create the historic system, because payments would be based on the amount of land on the IACS in any given year. Farmers are used to the Tir Mynydd system. There could be some problems; for example, payments could go up and down a bit, according to how much land

faint o dir sydd yn y system o dan pob ardal. Ar y llaw arall, yr ydym wedi arfer â system debyg yn Tir Mynydd, ac nid yw'r taliadau wedi mynd i fyny ac i lawr rhyw lawer.

is on the system for each region. On the other hand, we are used to a system such as Tir Mynydd, and the payments have not gone up and down that much.

[20] Yr ydym yn teimlo'n gryf mai hon yw'r ffordd ymlaen, ac y byddai'n osgoi nifer fawr o'r problemau sy'n ymwneud â'r hyn mae'r Comisiwn yn ei awgrymu. Mae'n tystiolaeth ysgrifenedig yn tanlinellu'r problemau hynny ac yn cynnig atebion iddynt.

We believe strongly that this is the way forward, and that it would avoid many of the problems with what the Commission is proposing. Our written evidence underlines those problems and proposes solutions to them.

[21] **Mr Morgan:** If you could have a cast-iron definition of 'active farmer' and 'agricultural activity', you would possibly be able to get rid of entitlements. My concern is that we have 200,000 ha of potentially eligible land coming into the equation in 2014. You could see a lot of movements up and down in terms of eligible land claimed each year. That would provide further uncertainty to farmers over the value of their payments between 2014 and 2019. I would say that having the entitlements to what we hope the farmer would be claiming in 2014 would probably be the most appropriate measure, as things stand today.

[22] **Vaughan Gething:** William Powell, do you want to pick up on entitlements?

[23] **William Powell:** No, all my questions under that section have already been covered.

[24] **Vaughan Gething:** Okay, we will move to Antoinette Sandbach.

[25] **Antoinette Sandbach:** You have indicated that there may be problems with the current European Union definition of 'active farmer'. Do you have any observations in relation to the current definition?

[26] **Mr Morgan:** We probably all support the principle of active farmer, to try to ensure that payment goes to the person carrying out agricultural activity on farm land. The problem is providing the definition of that. I know that the Commission and various Governments throughout Europe have tried over the last eight years to bring that into the current scheme and failed to do so. There are two potential options. One is for the member state devolved region to specify what agricultural activity is. That is something that we would like to try to take forward and look at in Wales. In terms of the Commission's general proposal across Europe, I think that trying to link the amount of single farm payment to the non-agricultural activities is virtually impossible for farmers to be able to comply with and for administrations to be able to look at. Every farmer in Wales is going to be drawn in to trying to provide the evidence, but we are only trying to target a small minority of farmers. Also, the fact that you are exempt if you claim under €5,000 means that, possibly, a lot of the people that we are trying to target here would be exempt anyway.

[27] **Antoinette Sandbach:** Moving on within that, you indicated that a large amount of land already carries entitlement with it. So, how much of Welsh land does not have entitlement at the moment?

[28] **Mr Morgan:** We can only go on the Welsh Government's figures. It seems to feel that there are around 200,000 ha of land that is not currently claimed for, but that is potentially eligible. About 1.2 million ha are currently claimed for and the Government thinks that 1.4 million ha would be eligible.

[29] **Antoinette Sandbach:** Is this the pony-paddock scenario? The concern is that

landowners who may have a house with a pony paddock will come into the scheme under the provisions that are currently drafted and that that will lead to a huge burden in terms of new entrants.

[30] **Mr Bailey:** That is exactly the case. It was reflected in England, when virtually 30 per cent of the entitlements were lost when they did the same exercise. It is something that we want to try to avoid in Wales if at all possible.

[31] **Antoinette Sandbach:** So, are you saying that our focus should be on the problems that may be caused by large numbers of small claimants coming into the scheme, because the remainder of the agricultural land has, in effect, entitlements allocated to it in some form or another?

[32] **Mr Bailey:** Yes. It is important that the active farmers are people who are actually involved in producing food for the nation and are the ones who receive the benefits of the single farm payment.

[33] **Dr Fenwick:** I agree entirely. It is a major concern that those people who are not genuine farmers could water it down for those who are producing food for the nation. That has to be a major concern, especially given what happened in England. The figures that we have suggest that, if all the currently unclaimed land came into the system, it could reduce the average payment in Wales by about 5 per cent. However, we have no way of telling how many of those people are likely to come in and how much of that land is below the threshold, which would be set by the UK for minimum area claims. A proportion of it may well be significantly below that threshold, which for the UK, under the draft proposals, is higher than the EU threshold. That would significantly reduce the impact. There is also no telling how much of that land may come in, given that we have a future reference period. Land banking may encourage some farmers to get hold of extra land and put it on their IACS. So, a proportion of that land is currently not claimed on. Given that we are creating brand new entitlements, if you have 100 entitlements at the moment, there is no incentive for you to seek out extra hectares. However, if you are going to be allocated brand new entitlements, you are going to try to get more land on your IACS in that year. So, some of that land could come in anyway.

[34] **Antoinette Sandbach:** I notice in your paper that you suggest that licensees of land who have no rights and who have temporary licences—they do not necessarily have the ability to deliver any of the environmental benefits and may, in fact, have only short-term agreements, such as summer grazing or winter grazing—should get the entitlement, whereas the land owner, who has the long-term interest in that land, should not. Why is that?

[35] **Dr Fenwick:** In hundreds or thousands of scenarios, the licensee may have been there for 20 or 30 years, being the genuine farmer. They pay a rent that reflects the value of that land, in terms of agriculture and any subsidies that accrue as a result, whether or not you are talking about the old system, under which people got headage payments. The value of those headage payments was incorporated in land rents, in a way. If you had a decent land agent, they would do that calculation. So, effectively, you are threatening to dispossess those people who may have been there for 20 or 30 years, all be it on more casual arrangements. The concern is that the less genuine farmers who own that land will either say, 'I want that land on my IACS and then I will sell the entitlement back to you', or 'I want a rent in 2014 that reflects the fact that this is the key to your future within the agriculture industry'. So, that is a major concern, and that is our argument.

[36] **Antoinette Sandbach:** Are you saying that, in effect, that should apply to licensees of over 20 years? What about a licensee who has been on the land for three months?

[37] **Dr Fenwick:** There are God knows how many different types of scenarios, from people who are on secure, section 86 tenancies to people who are on casual verbal arrangements with their landlords. At the end of the day, you come back to the genuine farmer issue. Our view is, clearly, that the genuine farmer should get the payment, rather than someone who is just reaping the benefit through rent, in whatever way.

[38] **Vaughan Gething:** Do any Members want to follow-up on this particular issue? No. We will move on to a different area.

[39] **Rebecca Evans:** I will move on to the greening requirements. The Deputy Minister suggested that farmers who are already delivering environmental benefits through existing agri-environment schemes should automatically receive the greening payment. What is your view on that?

[40] **Ms James:** Our firm view is that there should be a consistent approach in terms of how organic farmers and those entering into agri-environment schemes are treated. Wales has gone significantly down the greening route already, not just in terms of statutory management requirements and good agricultural and environmental condition, but, also in terms of voluntary participation in a variety of agri-environment schemes. Hitherto, we have had Tir Cymen, Tir Gofal, Tir Cynnal, and now we have the Glastir scheme. We think that we are already ticking the boxes in green credentials and that there should be parity of treatment for organic farmers and agri-environmentalists.

[41] **Ms Nowell-Phillips:** I will answer for the FUW. As you can see from our evidence, we do not agree that greening should be in pillar 1, as it is at the moment in the draft proposals. The situation in the UK, and in Wales in particular, as Mary explained, is that we are way ahead of a lot of European countries. It would seem, given the difficulties and the differences between us and other member states on the uptake of agri-environment schemes and what it means to be part of an agri-environment scheme, that Wales and the UK will lose out under current proposals, unless we get an exemption. As Mary said, we need parity with the organic sector, or there will be a kick back in Wales. Once agri-environment provision, which has traditionally been quite strong in Wales, becomes cross-compliance, farmers will have to go over and above what they do at present in order for there to be any realistic agri-environment provision. Then you are talking about real productive land being taken out and serious decisions by farmers as to whether they carry on with agri-environment provision.

11.00 a.m.

[42] **Rebecca Evans:** We have heard a lot of evidence calling for a wider menu of greening options to be included in the regulations. Do you have a view on that? What would you like to see within that menu, for example, if farmers could choose to deliver three of, say, seven or eight different things?

[43] **Ms Nowell-Phillips:** The Welsh Government's stand with regard to a menu of options is to allow farmers within existing agri-environment schemes to have a bit more flexibility as to what they enter within the greening proposals. We believe that the current greening proposals will be a real disincentive to production and will not really deliver what existing agri-environment schemes are delivering in Wales currently.

[44] **Dr Fenwick:** The initial Lyon report recommended a type of greening that I would call 'high-level greening', which recognises climate change and global problems in terms of resources. What the Commission has proposed is effectively a very low-level, localised greening, which targets what we would regard as agri-environment scheme stuff. The original proposal was based on our dire need to protect the environment and produce food. Greening should therefore be targeted at sustainable intensification and at something that helps farmers

reduce their impact on the environment with regard to fuel, fertiliser and so on, without compromising food production. However, what it is proposing, by definition, virtually compromises food production, which is the European Commission's No. 1 priority.

[45] **Mr Morgan:** Nick has said some of the things that I was looking to say. First and foremost, if greening remains in the proposals, we have to see how we can mitigate it. Having 30 per cent of the budget for direct payments is far too high a percentage, and we must look to minimise that as much as possible as a sort of key lobbying priority. However, we need to look at some of the other things that have been talked about in some of the European Parliament reports in terms of climate change mitigation. That could include looking at things like having support for minimum tillage and cultivation along those lines, which has proven climate change benefits, and possibly looking at farm assurance and animal health planning, which are other things that farmers are already doing and which are beneficial. Those things could be brought in, rather than the very complicated bureaucratic measures that are currently proposed.

[46] **Antoinette Sandbach:** There is a suggestion that the 7 per cent ecological focus areas will have a limited impact, given the permanent pasture definitions. How do you see that working in Wales? Do you see small bits of forestry coming in and will that include what is currently declared as ZZ99s on farms? How do you think that that should be dealt with?

[47] **Mr Morgan:** We do not really know. As things currently stand, the first thing that we see is basically the reintroduction of set-aside by another name and taking land out of production. It has mentioned that there could be landscape features—buffer strips and so on—but we do not exactly know. The Commission has left it very much up to it to make the final decision by saying that it could do it through delegated Acts, so it does not have to go through the process of Parliament, co-decision and so on. We do not know whether parts of farms currently taken out for agri-environment schemes will be able to be included there, or whether there will be a double-funding issue. We also do not know whether there will be complications around whether farmers will have to set up new numbers for their hedges, for their buffer strips and so on, in order to be able to include those as part of the 7 per cent. So, it could be an absolute minefield for farmers and the Welsh Government alike.

[48] **Antoinette Sandbach:** What is the best solution to tackle that issue?

[49] **Ms Nowell-Phillips:** The removal of the 7 per cent. [*Laughter.*]

[50] **Mr E. Jones:** It should be moved out completely, because we do not believe in taking any more land out of production. It would be wrong for us to go down that route, because we must produce food. We all know the figures about how much more food we need to produce and everyone must realise that.

[51] **Ms Nowell-Phillips:** Again, in Wales, because of our agri-environment past, this is going to be a total disincentive.

[52] **Antoinette Sandbach:** I understand that.

[53] **Ms Nowell-Phillips:** For Wales and the UK, in general, that is going to be a huge issue.

[54] **Vaughan Gething:** We might want to move on. I am conscious of time and the need to get into a number of subjects. William Powell, I know you have other things to raise as well.

[55] **William Powell:** One of the concerns that has been raised in previous sessions in

relation to the future and sustainability of farming is the age profile of the average farmer in Wales. I am particularly conscious that we are being hosted by the Wales YFC, to which we are very grateful. What are the unions' views on the mandatory support system that is proposed for young entrants to the industry?

[56] **Mr Bailey:** I do not think that we have any objection whatsoever to the methods suggested by the Commission for trying to attract young farmers. I question whether it is going to be enough, because the average payment, when it is worked out, will be around £2,000 a year, possibly an extra 25 per cent on the first 54 ha, which reflects, I am told, the average size of a holding in the UK, which surprises me, I must say. I do not know whether that is going to be sufficient money to draw people in; we are on the record as saying that what we need in the agriculture industry is profitability. There is no doubt that the Welsh Government's young entrants support scheme has that benefit as well, and we are fully supportive of that. Generally, that is our stance. One thing that I noticed in the other European countries was that there was no objection to it by anybody at all.

[57] **Dr Fenwick:** We are similarly supportive. One of the biggest barriers for young farmers is that they are competing with established farmers who have entitlements. Our union, the FUW, has, over a number of years, had a policy where we agree with modulating effectively all single payments to create a national reserve that grants entitlements to young farmers. That is something that we are very proud of and this is, effectively, putting it on the statute books, if it came to fruition. However, as indicated in our evidence, there is a potential problem, in that as you get more people coming in as young entrants, you may have to increase the amount that you modulate from everyone else's single payment. Let us clarify that that is why there is another argument in favour of the kind of system that we think should be considered.

[58] There is a concern regarding the 40-year-old threshold. If you are 41 or 42 years of age, you may have a huge amount to offer the industry and there needs to be more flexibility because we may lose useful people, if we do not make an allowance for all talent coming in.

[59] **William Powell:** That was going to be a follow-up question. I am aware that often, in farming businesses, you have a situation where the generations are such that you might have somebody coming in in their mid-40s to take over or expand a holding potentially facing difficulties and being penalised for coming in at a time when there was a natural handover between generations of farmers.

[60] **Mr Bailey:** There is concern that the national reserve, as has been tabled in the proposals, is aimed directly at young farmers, as opposed to all new entrants. We would like to see all new entrants being able to take advantage of the national reserve, rather than just young farmers.

[61] **William Powell:** Looking at specific areas of support, what are the unions' views on the proposals regarding small farmers and the small farmers scheme?

[62] **Dr Fenwick:** It is a huge waste of administration and creates another layer of bureaucracy. It is aimed at the eastern and new member states and the types of farming systems that they have there. So, we would have no objection to it being a voluntary measure within the regulation, but for it to be a compulsory measure, when it is only aimed at a certain type of farming in eastern Europe, seems over the top and would waste a huge amount of taxpayers' money.

[63] **Mr Morgan:** I think that we would agree with that. It appears that, across Europe, one third of farmers would fit into the small farmers scheme, so it should be voluntary for states that want to use it. Another major concern that we have, as things currently stand, is

that they would be exempt from cross-compliance sanctions. That sends out the wrong message. If bona fide farmers need to go through the rules and regulations, then small farmers should as well.

[64] **William Powell:** Indeed, and we also recall the origin of things such as foot and mouth disease in terms of a particular sector of small and rather marginal operations, which can then have a devastating effect because of cross-compliance problems.

[65] **Dr Fenwick:** Absolutely. In 2007, we had huge problems tracing animals in the area of the foot-and-mouth disease outbreak because it was full of smallholders who had cattle without cattle tags, sheep without tags and no cross-compliance inspections.

[66] **Yr Arglwydd Elis-Thomas:** A gaf i ofyn un neu ddau o gwestiynau am hyblygrwydd cyllid, yn enwedig symud taliadau o biler 1 i 2, ac o biler 2 i 1? Mae'r Dirprwy Weinidog wedi dweud wrthym yn ei dystiolaeth fod ganddo gonsyrn penodol i sicrhau bod hyblygrwydd gwirfoddol a bod yr hyblygrwydd hwnnw'n gweithio ar lefel Cymru, hynny yw, fel un o'r rhanbarthau Ewropeaidd, yn hytrach nag ar lefel y Deyrnas Unedig fel aelod wladwriaeth. Yr wyf yn sylwi bod y ddwy undeb yn gytûn yn gwrthwynebu symud tuag at hyblygrwydd. Felly, beth fydddech chi'n benodol am i ni fel grŵp i adrodd ar y pwnc hwnnw?

Lord Elis-Thomas: May I ask one or two questions on the flexibility of funding, particularly the movement of payments from pillar 1 to 2, and from pillar 2 to 1? The Deputy Minister has told us in his evidence that he has a specific concern about ensuring that there should be voluntary flexibility and that that flexibility should operate at a Wales level, that is, as a European region, rather than at a United Kingdom level as a member state. I note that both unions are agreed in their opposition to moving towards flexibility. Therefore, what would you specifically want us as a group to report on that issue?

[67] **Dr Fenwick:** Dechreuaf i. Mae'r hyblygrwydd hwnnw'n golygu y bydd un wlad yn wahanol i wlad arall. Ar hyn o bryd, mae Lloegr yn barod yn modiwlleiddio llawer mwy nag a wneir dros y ffin yn y fan hon. Nid ydym yn bell ofnadwy o'r ffin yn y fan hon. Mae'r hyblygrwydd yna achos bod Prydain a Phortiwgal wedi cael yr hawl iddo, ond nid oes gan wledydd eraill Ewrop yr hawl honno. Bydd hyn yn ei wneud yn waeth fyth os ydych yn cymryd cam yn ôl ac ystyried Ewrop i gyd. Bydd amrywiaeth llawer mwy rhwng gwledydd. Nid yn unig hynny, ond efallai y bydd gwlad fel Iwerddon yn tynnu arian allan o biler 2 a'i roi i mewn i biler 1, lle efallai y byddem ni'n gwneud yn groes i hynny. Bydd hynny'n gwneud y gwahaniaeth rhwng gwledydd hyd yn oed yn fwy. Mae'n mynd yn erbyn polisi cyffredinol yn gyfan gwbl.

Dr Fenwick: I will start. That flexibility means that one country will be different to another country. At the moment, England already modulates far more than is done over the border here. We are not very far from the border here. The flexibility is in place because Britain and Portugal have been given the right to it, but other countries across Europe do not have that right. This will make it even worse, if you take a step back and consider Europe as a whole. There will be far greater variation between countries. Not only that, but perhaps a country such as Ireland will withdraw money from pillar 2 and put it into pillar 1, whereas we might do the opposite. That will make the difference between countries even greater. It entirely goes against the idea of a common policy.

[68] **Yr Arglwydd Elis-Thomas:** Wrth ofyn i'r NFU ateb y cwestiwn hwnnw, yr ydych yn sôn am y posibilrwydd o dynnu cyfeiriadau at hyblygrwydd allan yn llwyr o destunau deddfwriaethol posibl. A ydych yn meddwl bod hynny'n realistig? A oes

Lord Elis-Thomas: In asking the NFU to respond to that question, you mention the possibility of taking out any reference to flexibility from any possible legislative texts. Do you think that that is realistic? Do you have support for that position from other

gennydh gefnogaeth i hynny oddi wrth aelod member states and other unions?
wladwriaethau ac undebau eraill?

[69] **Ms James:** We are probably in rather a different position in Wales to some other parts of the UK, let alone the European Union. The fact is that we have seen voluntary modulation over the years heaped on top of compulsory modulation, which has meant that we have had significant resources going into the pillar 2 mechanism. Our concern and great fear at the moment are that, for those member states that have payments at below 90 per cent of the EU average, which includes the UK and Wales, because of the constraints and shortcomings of the Glastir scheme, resources that are devoted under the rural development programme for Glastir may not be expended. So, we need this scope for reverse modulation that would facilitate the movement of resources that have hitherto come from pillar 1 into pillar 2 to go back into pillar 1 to ensure that we make full use of those resources. To some degree, it would also compensate for the fact that it is seeking to green pillar 1 and would enable, as I said, the resources under pillar 2, which have traditionally been the mechanism for greening policy, to revert to pillar 1.

[70] **Lord Elis-Thomas:** May I add a further complication in which I am interested, namely the way that the proposed discussions on the road map for resource by the Commission in September seemed to point towards a common framework, if not a common pot, for the rural development funds, as well as INTERREG and other aspects?

11.15 a.m.

[71] It could also include any potential further tranche of funding for west Wales and the Valleys. So, would you agree that we can see the advantages from the perspective of the efficient application of global resources for the EU, but that that could result in a reduction in resources for the recipient areas in Wales? Would you agree?

[72] **Ms James:** Certainly. Traditionally, we have only had about 3.5 per cent of the European allocation for rural development measures because it was always calculated on the basis of historical use. We would certainly prefer to see a more objective method of redistribution this time, which not only includes the resources that have come from the rural development regulation, but acknowledges the resources that have also come as a consequence of compulsory and voluntary modulation in the UK. That should end up giving us a more equitable distribution of the rural development resources.

[73] **Vaughan Gething:** I see that the FUW representatives are nodding their heads. Would you like to come in on this?

[74] **Ms Nowell-Phillips:** I totally agree. There are issues with the new rural development regulation, if it comes out as they are discussing, which allows resources from a greater number of pots as well as the allocation that Wales should have. Obviously, we have two battles: it is about getting the allocation from Europe and from Westminster; it is almost a double fight.

[75] **Lord Elis-Thomas:** It is always more of a problem, but I would say that. [*Laughter.*]

[76] **Ms Nowell-Phillips:** The opportunities are there. If there is flexibility from pillar 1 to pillar 2, as Mary said, there should also be an opportunity to go the other way.

[77] **Vaughan Gething:** William Powell, did you want to say anything in particular on the rural development plans?

[78] **William Powell:** I think that Dafydd has covered that pretty well.

[79] **Lord Elis-Thomas:** I hope that I did not steal any of your questions.

[80] **William Powell:** No, not at all.

[81] **Vaughan Gething:** I am interested in one of the other larger areas that has featured a lot in the evidence, which is the move to area-based payments. You are clear about what you are saying. I am interested in your view on the Deputy Minister's view about wanting extra flexibility in the period of time as well as the pace of change. I am also interested in your view on sub-regional criteria, and perhaps you could expand on the views already expressed. One thing that you and other witnesses have told us, as well as what the Commission says, is that you want simplification to be part of it. Would using sub-regional criteria increase complexity rather than simplify it, and increase the administrative resources that may need to go to administering a sub-regional scheme? I am interested in hearing what you have to say on both aspects? I do not know who wants to start.

[82] **Mr Bailey:** That is a particularly difficult question to answer. However, as I said in my opening remarks, before we can provide any suitable answers to this, we really need the intensive and thorough modelling that we asked for and which will be undertaken by the Welsh Government. Other than that, you can see that there will be disadvantages or massive resource removal from some farmers that will be given to others. So, it is a difficult question to answer. However, at the end of the day, we must see some form of system that will give us a fair and equitable play to all different sectors in whichever regions they farm in in Wales—that is probably not the answer that you want, Chair.

[83] **Vaughan Gething:** What about the potential jump of 40 per cent in the first year? Even the first-stage modelling indicates some fairly big losers as well as some fairly big winners. We understand that there would be a fairly significant resource transfer. I do not want to put words in your mouth about how you want to see the pace of change move, but I guess that it is also about your feelings. I know that you have links within Europe, so is that a view that is shared in other regions and by other organisations like yours across Europe?

[84] **Mr Bailey:** Certainly, the move away from historic to area-based payments causes concern. I presume that you meant the various regions within Wales when I answered my previous question. To have a 40 per cent move on the first jump is considerable, and it is to be undertaken from 2014 and completed by the end of 2019, which gives you five years. We always thought that if it was only a five-year period, it should be done on an equal basis of maybe 20 per cent a year, as opposed to having a 40 per cent or, as was originally drafted, a 50 per cent move in the first year. I am in no doubt that there is pressure from some of the smaller member states and some of the newer ones that want to get on the ladder as soon as they possibly can, but, as we see it, it would be difficult for farmers to adapt to a different type of farming if they were to lose 40 per cent of their historic payment within the first year.

[85] **Dr Fenwick:** We would agree entirely. We have seen England go through a transition over seven years. That was a gradual transition; these proposals of 40 per cent are shocking, in that we had always anticipated something equitable. We knew that the historic payment was going and that flat rates were coming in, but this move seems to defeat the object of having a transition period, given that it could put some businesses out of business within the first 12 months.

[86] In terms of the area-based aspect and the variation in regional payment rates, it could be horrendously complex if you were to have 20 different payment rates. Bear in mind, however, that it is not particularly difficult for a database nowadays to allocate different land classes, if you like, between different field parcels. We have a very accurate database of fields, and it has been easy enough to administer a payment system for four different types of

land, namely common land, severely disadvantaged areas, disadvantaged areas, and non-less favoured area land. It would not be particularly difficult to increase that number by a certain amount so that we recognise agricultural potential. I think that the Scots in particular need to be thanked a huge amount for lobbying to have agricultural potential included in the draft legislation, because that gives us the opportunity to properly reflect the agricultural potential of fields. It is all very well saying that we have an LFA rate and a non-LFA rate, but if you look at some of the land around here and up into Montgomeryshire, you will see that the potential impact is huge for those farms that are certainly LFA farms but which occupy a sort of middle ground, as they are certainly not the same as a tidy farm in Pembrokeshire. By the same token, you cannot say that they are the same as open moorland on the Brecon Beacons or somewhere like that. Those farms, which are on average a lot smaller, stand to lose a vast amount. There will be disruption for entire communities in those types of areas.

[87] **Ms James:** I would just draw attention to the fact that if there were currently a flat-rate area payment, 35 per cent of the recipients would actually lose more than 10 per cent of their single farm payment. When you consider the fact that some 80 per cent of farms' net incomes is attributable to the SFP, one can begin to see the effect that that might have on the viability of businesses.

[88] The other point that I want to make is that we have always felt that seven to 10 years would be a reasonable period for transition. We are extremely concerned that we may find that the negotiating timetable slips, and, as a consequence of co-decision within the European Parliament, decisions may not be reached by 2013 for implementation by 2014. It is very dangerous for us to be sitting here talking about a transition by 2019 when we may find that implementation will not take place until 2014 or 2015. We would much prefer to have a specified period as opposed to a date in time, which, as I say, may transpire to be a lot shorter than envisaged at this point in time.

[89] **Dr Fenwick:** Chair, may I make a very brief point on that? It has been suggested that we cannot have a transition period that is longer than the budget period. If I remember rightly, England started its seven-year transition period two years before the new EU budget came in. I think that the argument is therefore a false one: we could have a transition of 10 years and have a new budget after however many years within that period, as has been done by England already. It is not an argument.

[90] **Vaughan Gething:** Well, we know that the Deputy Minister has said that he wants a longer period; that is part of his evidence. We have Llyr Huws Gruffydd next, and then Antoinette Sandbach.

[91] **Llyr Huws Gruffydd:** Mae tipyn o gonsensws ynghylch y ffaith bod angen estyn y cyfnod trawsnewid a hefyd fod ar Gymru angen hyblygrwydd i benderfynu ar y cyflymdra drosti ei hun. Y flaenoriaeth, yn sicr, fydd lleihau'r effaith y caiff cyflwyno cyfradd safonol.

Llyr Huws Gruffydd: There is quite some consensus about the fact that we need to extend the transition period and also that Wales needs the flexibility to decide its own pace. The priority, of course, will be to reduce the impact that introducing a flat rate will have.

[92] Fodd bynnag, mae'r Dirprwy Weinidog hefyd wedi dweud y gwnaiff ystyried *coupling* fel opsiwn i gynorthwyo rhai sectorau a fydd yn wynebu caledi yn sgîl y newidiadau a ddaw. Er bod hynny efallai yn mynd yn groes i'r graen i le'r ydym eisiau ei gyrraedd yn yr hirdymor, yr wyf yn sylwi bod y ddwy undeb ddim o reidrwydd yn ei

However, the Deputy Minister has also said that he will consider coupling as an option to assist certain sectors that face hardship as a consequence of the changes to be introduced. Although that might go against the grain to where we want to reach in the long-term, I notice that although they do not necessarily welcome it, both unions note that it is

groesawu, ond yn nodi fod hynny yn rhywbeth y byddent yn barod i'w ystyried. A wnewch chi ymhelaethu ychydig ynglŷn â'r hyn yr ydych yn ei deimlo am y posibilrwydd hwnnw?

something that they would be ready to consider. Will you expand on what you feel about that possibility?

[93] **Mr Bailey:** As far as the two possible tools to try to equalise the payments are concerned, one of which is the recoupling tool and the other is that of the areas of natural constraint, they are important tools that we cannot argue away as yet. They are things that we ought to hold as tools in the toolbox so that if things go awry in whichever way, we could use those to try to equalise the payments; it is as simple as that. As far as the recoupling payment is concerned, it is something that we have traditionally stood against. However, ultimately, if there are market forces and other countries are getting the benefit of it, it puts us at a disadvantage if we do not adopt the measure.

[94] **Dr Fenwick:** I agree entirely that it is a tool in the toolbox, and it is important that it stays in the toolbox until it is needed. It would be a horrendous situation if we found that the tool was not there and that we desperately needed to support a certain part of the industry but had no mechanism by which to do it. The Scots clearly see that there is a need for the tool, and they use it for cattle. Therefore, we may hear a similar argument in favour of using it in the future, so it is welcome that the tool is in there, and it comes as no surprise that it is there.

[95] **Mr E. Jones:** Yr ydym wedi gweld y drwg mae tynnu anifeiliaid lawr o'r mynyddoedd wedi ei wneud yn y blynyddoedd diwethaf. Mae'r tiroedd mynydd hyn wedi mynd yn salach oherwydd bod ffermwyr wedi symud o leiaf hanner y defaid sy'n pori yno. Efallai y gwelwn adeg pan fydd yn rhaid i ni roi buchod yn ôl ar y mynyddoedd, oherwydd mae'r tir bellach wedi ffegio gormod—fel y byddem yn ei ddweud fel ffermwyr—i roi defaid yn ôl yno. Bydd yn cymryd amser hefyd i ddefaid. Fedrwyd chi ddim mynd i'r farchnad a phrynu 100 neu 200 o ddefaid a'u gyrru nhw i'r mynydd. Mae'n rhaid i'r defaid hyn gael eu geni yno fel ŵyn beinw ac ennill eu lle yn eu cynefin. Mae'n mynd i gymryd blynyddoedd i ddefaid, ond, dros fisoedd yr haf, fe allech chi anfon buchod hesbion i fyny i'r mynyddoedd, lle gallent wneud daioni. Nid wyf yn meddwl am orbori o gwbl, ond am gadw'r hen ffegiach hwn lawr, achos mae amryw o'r bobl hynaf sydd wedi ffermio dros y blynyddoedd yn dweud wrthym fod ein mynyddoedd wedi mynd yn salach. Bydd yn rhaid wynebu'r broblem honno.

Mr E. Jones: We have seen the damage that taking animals down from the mountains has done in the past few years. These mountain lands have deteriorated because farmers have reduced by at least half the number of sheep grazing there. We may see a time where we will have to reintroduce cattle on to the mountains, as the land has become too overgrown to reintroduce sheep there. It will also take time for sheep. You cannot go to market and buy 100 or 200 sheep and send them to the mountains. These sheep must be born there as gilt lambs so that they are at one with their habitat. It will take years for sheep, but, over the summer months, you could send barren cattle up to the mountains, where they could provide some benefit. I am not thinking of overgrazing at all, only to keep down this overgrown land, as many of the older farmers who have farmed over the years tell us that our mountains have become poorer. That problem will have to be addressed.

[96] **Yr Arglwydd Elis-Thomas:** Mae hefyd yn gwneud y mynyddoedd yn haws i'w cerdded, Emyr. [*Chwerthin.*]

Lord Elis-Thomas: It also makes the mountains easier to walk, Emyr. [*Laughter.*]

[97] **Mr E. Jones:** Yn hollol. Fel ffermwyr, yr ydym yn gallu byw efo hynny'n

Mr E. Jones: Exactly. As farmers, we can happily live with that, because we want to co-

iawn, achos yr ydym eisiau cydweithio. Ar operate. Ultimately, you are our customers. ddiwedd y dydd, chi yw ein cwsmeriaid.

[98] **Antoinette Sandbach:** Following on from that, what is the preference of the unions? You seem to be suggesting that we should look at classifying land into areas, and the Deputy Minister seems to be looking potentially at a coupled system that might help the beef and dairy sectors. Do you have a view on what may be the best way to achieve as fair a system as possible?

[99] **Mr Morgan:** As we said at the start, the first thing that we need to do is to try to mitigate redistribution as much as possible. So, we need to carry out this modelling work to get a range of potential scenarios of different boundary areas, as both unions have discussed, and to look at that to see how we could minimise redistribution along those lines first of all.

11.30 a.m.

[100] After that, there may well be some specific sectors or areas of Wales where a problem needs to be addressed, whether through coupled support or areas of natural constraints. You can use up to 5 per cent for either of those, which is a relatively small amount of money at the end of the day. We have calculated that it would be somewhere around €16 million, so you could not spread that over all the cattle in Wales, or all the sheep in Wales, and have it make a meaningful difference. We need first to carry out this modelling work to find the best fit for us in order to minimise redistribution, and then maybe to consider one of those other options to target any specific sectors or areas affected by that.

[101] **Ms James:** On the back of what Dylan said, our concern is that the Deputy Minister appears to be looking to address the shortcomings in pillar 1 through pillar 2 mechanisms. While a short-term way of putting right the deficiencies that we see in terms of support for hill farmers and the Glastir scheme, for example, in the longer term, it would be short-sighted to try to use the pillar 2 framework to address pillar 1 shortcomings when in future the whole of Europe will be using the mechanisms for the purpose for which they were intended. That short-termism would be counter-productive in the longer term.

[102] **Vaughan Gething:** We have one last point from Nick and then one final question in this session from William Powell.

[103] **Dr Fenwick:** We would agree entirely with those sentiments. Under the current timescale we have something like 20 months before Wales has to formally submit its proposed implementation measures to Europe. That gives us very little time to look at all the different scenarios. Without doing the modelling work, as Dylan mentioned, we cannot say whether we should do x, y or z. That work has not been done, which is lamentable, although it is commendable that the work is now going on. However, we are playing catch-up, and my big concern is that Wales will be backed into a corner, not only in terms of finding out what is best for Wales, or the model that minimises the impact for Wales, but also in terms of finding the objective criteria on which to base that, so that you can submit the proposals to Europe and have them passed. We are playing catch-up here, and a huge amount of work is needed over the coming months to investigate whether we need headage payments and whether they could be used in some way. We are feeling around in the dark at the moment, except with regard to some preliminary stuff that has been done.

[104] **William Powell:** I want to move briefly on to the issue of horizontal regulation and enforcement, which I know is the bane of many farmers' lives, particularly with the gold-plating tendency that we have at a UK level, and also perhaps at a Wales level. You touched on that earlier with regard to my question on small farmers, but what are your views, as the farming unions, about the proposals for cross-compliance? What modifications would you

like to see?

[105] **Mr Morgan:** The Commissioner said, in setting out his key priorities, that this is all about simplification, and, to be perfectly honest with you, we do not see any simplification as far as farmers are concerned. Everything that we have talked about this morning adds complication in terms of greening, and, in terms of cross-compliance, good agricultural condition and statutory management requirements, it is no different. While there may be a removal of some cross-compliance conditions, it will mean absolutely nothing for farmers on the ground. There is one very worrying addition, which is a ban on the first ploughing of carbon-rich soils. If that comes into force and is treated relatively strictly in Wales, it would be of huge concern to us, because it would really affect our productive capacity. I think that both unions, in relation to the previous CAP reform, have raised concerns about the penalties and sanctions in place, and the totally disproportionate levels of fines that farmers in Wales have received for very minor offences. Again, that does not seem to be addressed within these proposals.

[106] **Dr Fenwick:** I would echo those sentiments entirely. I have lost count of the number of meetings that Dylan and I have attended on this issue of penalties, where we have seen draconian fines, which are backed up by EU legislation, but which most people who are not familiar with the agricultural industry find shocking and immoral. Indeed, the officials who administer those fines also find them immoral, and have no qualms about saying that they find them to be immoral, but they are duty bound to implement them. So, there is a drastic need to recognise proportionality when it comes to cross-compliance.

[107] **William Powell:** I am grateful for that answer; thank you.

[108] **Ms James:** There is another issue regarding disallowance for the Welsh Government, which has the potential to impinge on the industry. If, ultimately, disallowance is levied, we know that it comes from the Welsh Government and, as there is no contingency for that, it has to come out of the business, enterprise, technology and science portfolio. So, it has the scope to rebound.

[109] **Vaughan Gething:** Thank you all very much for your evidence this morning and for dealing so fully with the questions that Members have put to you. As you know, you will get a copy of the transcript of this morning's evidence session and will have an opportunity to correct any factual inaccuracies in the transcript. No doubt we will continue to speak to you throughout the reform process, as opposed to reform event. Many thanks.

11.39 a.m.

**Ymchwiliad i'r Diwygiadau Arfaethedig i'r Polisi Amaethyddol Cyffredin:
Tystiolaeth gan y Gymdeithas Tir a Busnesau Cefn Gwlad a CFFI Cymru
Inquiry into Proposed Reforms to the Common Agricultural Policy: Evidence
from the Country Land and Business Association and Wales YFC**

[110] **Vaughan Gething:** I welcome the Country Land and Business Association and Wales YFC. Thank you for providing us with written evidence in advance, which Members have had the opportunity to read and consider. From Wales YFC, we have Dylan Jones, Marc Jones and Kay Lewis, and, from the CLA, we have Sue Evans, Ben Underwood and Johnny Humphries. As our previous witnesses this morning had, you will have the opportunity to make brief opening remarks—please be brief as there will then be more time for questions. When the questions do come around, if you could restrict yourself to one person answering from each organisation, that will help us to get through as many subjects as possible. As you are all aware, there are plenty of subjects that we could and will want to talk to you about this

morning. Perhaps we could start with opening remarks from the young farmers.

[111] **Mr M. Jones:** Wales YFC would like to thank the National Assembly for Wales Common Agricultural Policy Task and Finish Group for the opportunity to put across points of view on behalf of not only the Wales YFC, but the Welsh agricultural industry. As a member-led organisation representing young people in rural Wales, there are several key issues that we would like to highlight. First, on the young farmers scheme, we embrace the fact that young entrants have been acknowledged in the recent proposals for the CAP. More importantly, the scheme recognises the problems associated with young people entering the industry in the five years prior to the CAP reform. We welcome that and hope it will work with the current young entrants support scheme, which has been a huge success in Wales.

[112] On active farmers, we welcome the intention to confine direct payments to active farmers. However, we feel that the present definition of active farmers is unworkable and goes against encouraging diversification within the farm business, particularly as young entrants often have a second income when starting their own business. As a consequence, we believe that the payments should be directed to the farmer and not necessarily the landowner.

[113] On entitlements, we believe that there should be no entitlements post the transitional period. That would ensure a better position for young farmers entering the industry, as they would not be put at a financial disadvantage when starting out in having to purchase entitlements as they currently do. As a consequence, there would be no need for a national reserve, therefore reducing the bureaucracy and the cost of implementing the CAP.

[114] On greening, Wales YFC believes that the greening measure should not be included in pillar 1. However, if it does remain, then farmers participating in agri-environment schemes such as Glastir should automatically receive greening payments, just as organic farmers do. We also believe that the proposed action of growing three crops in the growing area if you exceed 3 ha should be removed, as, again, this goes against best farming practice and sustainability.

[115] Moving on to payments, payments should be calculated in a flat-rate system, but we believe that there should be a split, with a reduced moorland payment and a standard payment for non-moorland producers. That will retain moneys in the areas capable of higher sustainable production, but it will also allow people with moorland areas to look at the agri-environment side with pillar 2.

[116] We would like to emphasise the need for simplification in order to reduce the administrative burden in the next CAP, while keeping in mind that fairness should not be compromised in striving for this simplification. As a member-led organisation, we believe that we should voice the views and concerns from the grassroots members. We wish the group to note that today's evidence should be viewed as an outline of our position. It may be amended in due course as we continue to consult with our membership.

[117] **Vaughan Gething:** Thank you very much, and now to the Country Land and Business Association.

[118] **Mr Humphries:** Mr Chairman, thank you very much for asking us here today. We will keep our statement very brief, because we totally agree with a lot of what Marc said. There is a lot that we are probably directly opposite on, but not much. *[Laughter.]*

[119] **Vaughan Gething:** We may well find that out during the course of the morning. *[Laughter.]*

[120] **Mr Humphries:** We have given you written evidence, so I will not go through that,

but our organisation developed the concept of food and environmental security about two or three years ago because we were very worried about the legitimacy of the single farm payment. People out there are pretty hostile to farmers—most of my friends are not farmers—when it comes to farm payments. Very careful thinking as to why it is there is needed. To some extent, with regard to where we have gone to with the mandatory greening of pillar 1, although we can all agree that it is a complete mishmash in how it relates to pillar 2, it actually contributes to legitimacy. So, I think that I can see where the commissioner was coming from. If we can clear up that business of how pillar 1 fits with pillar 2, there is something to be said for it. So, we are not hostile to the greening proposals in that sense.

[121] The other thing, which Marc just mentioned, is simplification. We seem to be going diametrically in the opposite direction to that and I think that it is quite scary. I dread to think what it is going to be like. The single farm payment scheme form is already so thick. I just wonder how thick it could be and whether the post could handle it. [*Laughter.*]

11.45 a.m.

[122] **William Powell:** As I noted earlier, we are hosted today in the YFC building, which we appreciate. Therefore, we think that it is appropriate to drill down a bit more into the issue of the young entrants' scheme that Marc has already referred to. Is there a case for making that scheme more flexible in terms of age, as was referred to in the previous session, in order to make it accessible for people further into their 40s, taking account of particular circumstances in particular farming businesses?

[123] **Mr M. Jones:** Yes. I think that the priority is to get new entrants into the industry. Whether they are young or old does not really make much difference. It is important to get those new ideas to drive the industry forward. That is the key issue to address. It would be nice to see a new entrants scheme, rather than a young entrants scheme.

[124] **William Powell:** I would be very interested in the CLA's perspective.

[125] **Ms Evans:** We fully support that. New entrants are paramount in this. The problem with farming is that you need such a huge amount of capital investment, and it is very difficult for a young person to come up with that. They are what I call 'young entrants' because I am now getting to the post-40s. [*Laughter.*] There are people I speak to who are in their 40s who have gone away from a previous farming background and who are coming back, having made enough money to set themselves up in agriculture. They may even have been doing some sort of agriculture in the past few years but not actually claiming single farm payments because they had no entitlement in the entitlement years. They have new ideas, they are progressive and they are keen, but they are going to be left out of this in many shapes and forms. Is 2 or 3 per cent going to cover all the people out there who are keen and progressive and interested in farming? We think that there is a bit of a gap there.

[126] **William Powell:** With regard to another discrete item within the wider reform, in relation to small farms, those of us present in the earlier session will have heard concerns expressed about the small farmers scheme. What are your different perspectives on that issue?

[127] **Mr M. Jones:** Our view is very similar to that of the other organisations. The scheme is overcomplicating the CAP. Although young farmers and young entrants coming in now have smaller farms, the scale is still not workable. We would be better off taking the funds away from that and concentrating on a more focused scheme, which is what a young farmers or new entrants scheme would provide.

[128] **Ms Evans:** We agree with the YFC and the other organisations on this. We think that we are all heading in the same direction, namely that it would be advisable for the Welsh

Government to set a lower limit—of, say, 5 ha—for any payments in Wales. That would effectively nullify the small farmers scheme and mean that the money would go to farmers who are making a living out of it. We believe that people may start with smaller holdings but that they do not rely on the single farm payment for their income until after they have got past the 5 ha limit. That is when it becomes important to their business.

[129] **William Powell:** Do you also share their concerns about the exemption on cross-compliance requirements? That seems to be a very strong message that needs to be sent out.

[130] **Ms Evans:** That would not be relevant if the 5 ha limit was applied.

[131] **Mr M. Jones:** Again, it is very important that, no matter what size holding you have, you can demonstrate that you can work the animals or the crop just as well as someone who is progressing up the industry.

[132] **William Powell:** Moving on from that to the overall definition of ‘active farmer’, what are your organisations’ perspectives on the current proposals?

[133] **Ms Evans:** Do you want to start? [*Laughter.*]

[134] **Mr M. Jones:** I do not know really. [*Laughter.*] This is where we are going to differ completely.

[135] **William Powell:** I thought that that would make it interesting.

[136] **Mr M. Jones:** The way I see it is that the major problems for young entrants or new entrants to the agriculture industry are getting hold of land in the first place and getting the capital to get into the industry. The big issue that I have with the way that the definition of an active farmer is at the moment is that landowners can rent out their land and claim the single farm payments. Quite often, these are short-term lets. They will have a summer keep and a winter keep.

[137] The other unfortunate issue is that these are at premium prices. So, you are talking £120 or £150 per acre. This withdraws a lot of ground from young entrants coming into the industry in the first place, because we cannot get the capital behind us. You cannot convince a bank manager that you can take on ground for a year. They want a five or 10-year business plan. The issue is that you just cannot compete with paying that rent initially. You want a nice long rent that is sustainable for you to get into the industry in the first place. I know where Sue will come from in a moment, but I would prefer to see slightly higher rents and the young or new entrant getting hold of that single farm payment in the first place. Then, the system will work fairly in terms of rental agreements going through. It also gives us that longer-term rental agreement.

[138] **Ms Evans:** We are concerned about the definition as it stands at the moment, with the requirement for 5 per cent of the total income to come from the single farm payment, if they have another business. In Wales, I think that the only reason why that would not work is with income meaning turnover of diversified businesses. So, it is important that the definition be set if that goes through. However, we believe that it is unworkable. I cannot see how the Welsh Government could police that; I believe that it would be quite impossible to take forward. Therefore, we are trying to get the 5 per cent struck out completely.

[139] I will elaborate on what Marc was saying, because I think that this is an important aspect of young farmers getting into the business. You asked the question earlier, and I will answer it now. We believe that entitlements should not be tradable. They should effectively be attached to the land. In this way, there would not be any trade for it and it would be easier

for young farmers to get into agriculture—they would not need that capital investment to purchase their way into entitlements in the first place, which is what they will still have to do. If the entitlement is attached to the land—we can argue over the definition of active farmer afterwards, but the definition of active farmer is dependent on who makes that claim and it has to be an active farmer that makes that claim—it leaves it open to one person making a claim each year and it can be any person as long as they are an active farmer.

[140] **Llyr Huws Gruffydd:** Mae hynny'n arwain yn neis at y pwynt yr oeddwn am ei godi ynghylch hawliau. Yr wyf yn nodi'r safbwyntiau gwahanol sydd gennym, o bosibl, yn y fan hon. Un pwynt penodol yw'r ffaith mai 2014 yw'r flwyddyn gyfeirio. Mae gofid wedi'i fynegi ynglŷn â phobl yn crynhoi tir a hawliau yn y cyfnod hwnnw. Yr wyf yn tybio y byddai'r CLA yn cydnabod bod cael blwyddyn gyfeirio yn y dyfodol yn beryg gwirioneddol.

Llyr Huws Gruffydd: That leads nicely to the point that I wanted to raise about entitlements. I note the differing opinions that we possibly have here. One specific point is the fact that there is a reference year of 2014. A concern has been expressed about people land banking and gathering entitlements over that period. I take it that the CLA would agree that that a future reference year is a real danger.

[141] **Ms Evans:** Yr ydym yn cytuno. Mae'n anodd, gan ein bod mewn sefyllfa lle bydd rhai yn ennill a rhai yn colli. Bydd gennym sefyllfa lle bydd rhai ffermwyr wedi bod yn ffermio am ychydig flynyddoedd ac wedi gobeithio y byddant yn gallu dod i mewn yn 2014 ar yr un amod ac yn yr un sefyllfa â phawb arall, gyda thaliad sengl ar gyfer y flwyddyn honno yn dod atynt. Fodd bynnag, ni fyddant yn y sefyllfa honno. Felly, nid yw hyn yn beth da. Fodd bynnag, pe bai'r hawliau yn cael eu cysylltu â'r tir yn hytrach na chael eu masnachu, byddai hyn i gyd yn wahanol, oni fyddai?

Ms Evans: We agree. It is difficult because we are in a situation whereby some will win and some will lose out. We will have a situation where some farmers will have been farming for a few years and will hope that they can join in 2014 on the same condition and in the same situation as everyone else, with a single payment for that year coming to them. However, they will not be in that position. So, this is not a good thing. However, if the entitlements were attached to the land rather than being traded, this would all be different, would it not?

[142] **Llyr Huws Gruffydd:** Yr wyf yn nodi hefyd bod CFfl, yn ei bapur, yn awgrymu model arall o ddsbarthu taliadau hawliau yn seiliedig ar oriau. Mae hynny'n fesur gwahanol iawn. A hoffech ymhelaethu ar hynny?

Llyr Huws Gruffydd: I also note that YFC, in its paper, suggests an alternative model of allocating entitlement payments, based on hours. That is a very different measure. Would you like to expand on that?

[143] **Mr D. Jones:** I will answer this in English, because that is the language that I have used to think about this. This model has been brought to me by one of our members. Unfortunately, we have had a bit of a disagreement as regards how it fits into this model, because it contradicts a few things, but thank you for bringing it up so that I can explain it a bit more. The suggestion has come that businesses are measured as to the size of the business in man hours, rather than how much land a farmer has. Obviously, this brings in an element of production, but it is only an element of it.

[144] The suggestion is that this would also help out with the active farmer side of things, because what this member brought to me was an example of someone he knew who was claiming £30,000 on a single farm payment, but was actually just renting all the land out. Under the system that he had worked out, there would not be an active farmer classification. The only farming that the farmer in question is doing is growing grass. I am sure that you are all aware anyway, but I should explain that tables have been made up for Farming Connect

and a young entrants scheme that plan out how many hours are involved in growing grass, keeping dairy cows, keeping sheep, growing arable and so forth. This system uses those tables to work out the size of a business. Based on such tables, the farmer in question, who is just growing grass, would only be accumulating six hours per acre. Therefore, his payment would become far more marginal than is the case at the moment. Using current systems, in order to make the point, payment for the farmer in question fell from £30,000 to £1,500. That is a substantial reduction. So, in essence, for that farmer to realise the biggest payment possible, the land would have to be in the hands of someone who was actually keeping sheep, cattle or growing crops. That is where the idea of the model comes in.

[145] I am sorry if I have waffled my way a bit through that explanation. I feel that there is a lot of merit in the suggestion, because it does not involve messing about with defining an active farmer. Everyone who had land would have a payment for it, but if they wanted to maximise the payment, they would have to ensure that that land was farmed to its maximum potential.

[146] **Vaughan Gething:** What is the CLA view on this?

[147] **Mr Humphries:** I will answer that very briefly. In our local committees, we have seen loads of suggested alternative models, slightly going down the same line as Dylan's idea. We asked whether you could go on employment or on how much added value you build in to your farm. All these things are quite good. I think that we all know in our hearts what an active farmer is; it is just an issue of writing it down and defining it. All the models, quite frankly, are cheatable. In a way, what Dylan said would be highly fiddleable. All of the measures that we have come across do not quite make it. Really, you have to open it out a bit; I just do not know. Sue has come up with loads of definitions. We have read everything that we can and we have discussed it all in our local committees, but I am not sure that you ever quite get there.

[148] **Llyr Huws Gruffydd:** Diolch am yr esboniad; mae'n awgrym gwahanol sy'n werth edrych arno. Byddai hynny'n golygu aiddosbarthu sylweddol o safbwynt incwm gwahanol ranndeiliaid o fewn y trefniadau hynny—efallai hyd yn oed yn fwy heriol nag aiddosbarthu taliadau wrth symud o system y pen i system ar sail ardal. Efallai y byddai'n rhaid edrych ar rai egwyddorion yn y cyddestun hwnnw. Yr ydym yn sôn am fiwrocratiaeth hefyd. A oes perygl y bydd hyn yn cael ei glymu yn rhan o'r un problemau o safbwynt biwrocratiaeth?

Llyr Huws Gruffydd: Thank you for that explanation; it is a different suggestion, which should be considered. That would mean significant redistribution in terms of the incomes of various stakeholders within those arrangements—perhaps even more challenging than the redistribution of payments from headage to area based. So, some of the principles would need to be looked at. We are also talking about bureaucracy. Is there a danger that this could be tied up with the same problems in terms of red tape?

[149] **Mr D. Jones:** Mae problem fawr. Mae'n gymaint o broblem ag yr ydych yn gadael i'r peth fod. Yr ydym wedi dweud eisoes ein bod eisiau gweld system sydd mor syml â phosibl. Fodd bynnag, o anelu at y symlrwydd hwnnw, nid ydym am gyfaddawdu ar degwch. Yn y pen draw, pe bai tegwch i bawb yn golygu ychydig yn rhagor o waith papur, yn anffodus rhaid ei gael. Rhaid cael system sy'n addas i gymaint o bobl ag y bo modd yng Nghymru.

Mr D. Jones: It is a major problem. It is as much of a problem as you allow it to be. We have already said that we want to see a system that is as simple as possible, but in aiming for that simplicity, we do not want to compromise on fairness. At the end of the day, there must be fairness for all, even if it means a little more paperwork. We need a system that suits as many people as possible in Wales.

[150] **Llyr Huws Gruffydd:** A fyddech felly—y ddau fudiad—yn hapusach pe bai modd diffinio ffermwyr gweithredol ar sail rhanbarthol yng Nghymru?

Llyr Huws Gruffydd: Would both organisations be happier if there was a method of defining an active farmer at a regional level in Wales?

[151] **Ms Evans:** Nid wyf yn sicr ein bod yn hollol gyffyrddus â hynny. Weithiau, yr ydym yn anghofio pam fod taliadau sengl yn cael eu rhoi i ffermwyr yn y lle cyntaf. Mae angen canolbwyntio ar pam fod taliad sengl yn y lle cyntaf. A ydym yn dweud mai dim ond 30 y cant o'r taliad sydd i'w wneud â'r amgylchedd? Nid felly y mae—mae gennym drawsgydymffurfio hefyd. Mae hynny i'w wneud â'r amgylchedd, ac mae i'w wneud â chymaint mwy o bethau. Felly, pe bai'r cyflwr amaethyddol ac amgylcheddol da yn rhan ohono hefyd, nid wyf yn sicr y byddwn yn meddwl am unrhyw beth gwell yng Nghymru.

Ms Evans: I am not certain that we would be completely comfortable with that. Sometimes, we forget why the single payments are given to farmers in the first place. We need to come back to the question of why we have the single payment in the first place. Are we saying that only 30 per cent of the payment is linked to the environment? That is not the case—we also have cross-compliance. That is linked to the environment, as well as to many other things. If the good agricultural and environmental condition comes into it as well I am not sure that we would come up with anything better in Wales.

12.00 p.m.

[152] Efallai y byddai'n haws inni ddelio â hyn gyda'n gilydd yng Nghymru; mae'n anodd dweud. Fodd bynnag, fel yr ydym wedi dweud o'r blaen, yr ydym eisiau mynd am y peth mwyaf syml. Yr wyf yn parhau i ddweud drosodd a throsodd, pe bai'r hawliau wedi'u sefydlu, ac nad oedd yn bosibl i'w gwerthu a'u prynu, byddai'r farchnad wedyn yn sortio popeth allan fel bod pawb yn yr un sefyllfa o'r dechrau.

Perhaps it would be easier for us to deal with this together in Wales; it is difficult to say. However, as we have stated previously, we want to go for the simplest system. I continue to say over and over again that if the entitlements were fixed, and that they could not be bought and sold, the market would sort everything out so that everyone is in the same position from the beginning.

[153] **Mr M. Jones:** Again, how I would put that is completely different. [*Laughter.*] We are in the middle of a recession and members of the public want cheap food and they are wondering why there is so much inflation. So, if you were talking to people on the streets of Cardiff and you told them that a farmer was receiving a single farm payment for not producing food and receiving an extra income for the rental of that ground, what would they say to you?

[154] **Antoinette Sandbach:** Where do you see the capital investment going into the land when improvements in buildings and so on need to be done? How would you see that working where that investment is going on in the farm? At the moment, someone who rents the land perhaps for only 11 months, or even for three or four months for summer grazing, is not putting in perhaps the very big investments. We have seen that in nitrate vulnerable zones and things like that, where very large slurry systems have had to go in. Who would you see as having the obligation for that?

[155] **Mr M. Jones:** The obligation would come from the rental agreement between the landowner and the tenant with regard to exactly what they are expecting. If they are going to go for money alone on their rental agreement, then that is fairly simple, in that they will have to provide those things. However, if it is at a lower rent, then it is up to the tenant to supply all of the nutrients, through soil sampling, and some of the infrastructures as well. So, it is all in the individual agreement and the amount of rent payable.

[156] **Antoinette Sandbach:** Given that there may be substantial changes, for example to Glastir, which we know about because of these greening provisions in pillar 1, there is no certainty about how that will operate. Do you then see young farmers being happy to agree that they would be responsible for any capital costs that arose out of changes in EU regulations if the entitlement, for example, does not attach to the land?

[157] **Mr M. Jones:** I cannot see why not. They are businesspeople, so it is up to them to make that decision. If I took over a farm tomorrow, then I would want to be in full control of it and drive it forward, whether that is in regard to nutrient levels or the capital investment in it; that is my decision. The landowner on many estates then gives you a rent and, according to that rent, they will give you some help if required and some of the capital input with regard to buildings or repairs.

[158] **Vaughan Gething:** Does the CLA have a view on this?

[159] **Ms Evans:** We take the line that the capital investment in the land is probably the biggest element. Buildings, and the infrastructure, as it comes after that, are a large element of it. We have issues of dual claims in this country at the moment. This is basically the practice where, in most cases, you have a grazier who may be there for three, nine or 11 months grazing the ground, and a landowner who has a larger holding is claiming Tir Gofal over that land. The Deputy Minister has said that he is not comfortable with that situation, but that it can continue to the end of 2014.

[160] When we get to post-2014, this situation, I believe, will arise again. If graziers are considered active farmers and are claiming the single farm payment, then you can have more pockets of grazing land being let out and the landowner making most of the investment in the ground, doing all of the agri-environment work, so that they are in a position to enter into Glastir. Otherwise, there will be large swathes of the countryside that cannot enter into Glastir, because you cannot have dual claims—either that, or the graziers will be told that they cannot claim single farm payment on the ground.

[161] So, there are many bigger and wider issues around this, which we believe need addressing. It keeps coming back to the same point about simplification: the simpler we can make the system in the first place, the easier the whole thing runs. We keep having to build these additional models because it is so complicated in the first place.

[162] **Antoinette Sandbach:** I wanted to ask about area-based payments. I was interested to see the young farmers' definition, which looked at moorland and non-moorland. Is that something that your members support as a distinction, particularly as we heard evidence from the farming unions about five or six different types of areas within area-based payments?

[163] **Mr M. Jones:** The important thing is to try to keep everything as simple as possible. If you are going to have lowland, less severely disadvantaged land, severely disadvantaged land, moorland and several others, it will just go on and on. It should be kept simple. By providing moorland and non-moorland payments, farmers on the moorland would probably receive a fairly similar amount of money to what they receive currently. The problem with switching to a completely flat-rate system is that all the money will go up the hill. A little bit more money should be retained for those productive farmers lower down. As Nick Fenwick mentioned earlier, there are many productive farmers in the disadvantaged areas as well, which would lose a huge amount of money. So, tiering it fairly simply would retain a bit more money for those farmers.

[164] **Vaughan Gething:** Is there a CLA view on this proposal?

[165] **Ms Evans:** We are looking for the simplest possible solution, and if we could start with a single payment across the whole lot, that would be great and it would be simpler, but we need to ensure that the money goes to the right places so that we do not end up with bankruptcies, with farms becoming unprofitable and unworkable. On that basis, it would be the lowland farms that that would happen to. We could bring in a payment for, say, supporting cattle on the lowlands, and I believe that up to 10 per cent could be taken as a top slice from the whole lot and given as a production payment. I agree with Nick that we need to do some modelling work with these payments to see how people would be affected. The LFA element would not work at the moment. I agree with all the other parties that there are some very progressive and intensive LFA farms. You cannot draw the line between LFA and non-LFA, as some people have been doing. It needs to be looked at, and we would promote the simplest possible model.

[166] **Vaughan Gething:** Thank you. We now move to a different subject, with Rebecca Evans.

[167] **Rebecca Evans:** Thank you, Chair. Looking at the greening requirements, the young farmers' written evidence says that, if greening does go ahead as a compulsory element, there should also be a menu of options for farmers to choose from. Can you give us more detail on how you would see that working? I am sure that the CLA will also have a view on this.

[168] **Mr M. Jones:** It was about looking at ways of promoting best practice. I do not think that we need a greening element at all within Glastir, but if it does come in, we suggest options such as nutrient management plans to reduce the amount of nitrates in different places, and the sensible use of phosphate and potash within manure management plans. These are simple things that farmers can do to improve their productive ability and reduce the problems associated with the environment. Those are the key things, which do not disrupt their systems too badly, but which promote good agricultural practices, as well as reducing the problems that could occur with the environment.

[169] **Ms Evans:** I agree with all of that. We have been in favour of greening in pillar 1, because we believe that that is the way to protect the payment in the long term, and to make sure that the general public are supporting us, are behind us and can see the outcome of what we are producing. However, we do not like what is being presented in this greening proposal. It is far too complicated, and they are rather throwing the baby out with the bath water. Their goals are too broad. With crops, for example, they are trying to stop eastern European countries monocultivating wheat from one end of the country to the other, but they have set 3 ha only as a basis for producing three crops. If you are farming and you have a contractor coming in to combine those 3 ha, you need far more than that to make it profitable, and to make it viable for a contractor to come on farm. So, you would need to at least increase that, which I think is possible. However, it is about the whole process. I agree with Marc that it would be better, when looking at greening in pillar 1, to consider what can be used in production while improving the quality of the environment as part of the production methods. That would be far better.

[170] **Rebecca Evans:** Turning to the young farmers' evidence, you talk about how the population of the world has grown to 7 billion and a mid-term projection would see it moving towards 9 billion. You say that,

[171] 'Whilst there are fragile habitats requiring protection surely we also have a huge social responsibility to ensure a secure and safe food supply system for future generations both in Wales and beyond'.

[172] How do you see the role of Welsh farming in global food security, both now and in the future?

[173] **Mr M. Jones:** In terms of Welsh agriculture, the red meat industry, in particular, has a role to play in this. As you can see, there is great demand for Welsh lamb across the world at the moment. So, we are trying to hit more targets in China. Those are the key production areas. We grow grass well in Wales and it is important that we are able to use these areas as a way of increasing grass production and feeding the world. We can grow crops in Pembrokeshire, but, unfortunately, as soon as you go up the hill, there are not many contractors who are willing to risk their lives to try it out. It is about trying to increase production from grass-based diets in the future.

[174] **Ms Evans:** From the CLA's point of view, I would agree with that. Again, from the greening point of view, not allowing any cultivation of permanent pasture, when it is described as something that has not been ploughed for five years, is unworkable, especially when you are proposing potential intensification, which is necessary in Wales. Permanent pasture does not necessarily have any environmental significance after five years, and possibly not even after 25 years. This is important.

[175] I think back to my childhood, and 25 to 30 years ago we were growing grain on areas of Wales that have been down to grass ever since. With increasing grain prices and so forth, a lot of farms would benefit from being able to produce their own grain again, to feed their own livestock. It is a far more sustainable system. It would be a better working system for farms in Wales, and it would provide an environmental benefit as far as many of the environmental bodies are concerned. They would approve of this. So, again this shows why this element is going against greening in some aspects in Wales.

[176] **Mr M. Jones:** We have to agree with that. The greening issue as regards the reduction of crops is nonsense. You have Glastir coming in, which is trying to promote some spring cereals and the use of swedes and more forage crops. Again, that just provides more habitats for wildlife and goes against the grain completely.

[177] **Vaughan Gething:** Does anyone want to follow up on this? I see that no-one does. Next, we will take questions from Dafydd Elis-Thomas and Antoinette Sandbach.

[178] **Yr Arglwydd Elis-Thomas:** Un o'r problemau sydd gennyf gyda'r syniad o sut mae 'gwyrddu' yn cael ei hyrwyddo yn nogfen bresennol y Comisiwn am y polisi amaethyddol cyffredin, yw nad yw'n ystyried y prosiect o safbwynt ecosystemau. Mae arna i ofn mai beth sydd gennym, unwaith eto, yw ymgais arall i ychwanegu haen o laswellt, os hoffech, ar ben polisi na fyddwn yn ei ystyried yn un gwyrd dws; hynny yw, yn un sy'n ymwneud â datblygiad cynaliadwy. Mae'r ddau air hynny i ni fel pwyllgor, ac fel yr ydwyf yn siŵr y maent i chi, yr un mor bwysig â'i gilydd. Felly, sut gallwn ni ddylanwadu i newid y papur hwn ymhellach?

Lord Elis-Thomas: One of the problems that I have with the way the concept of 'greening' is promoted in the Commission's current document on the common agricultural policy is that it does not consider the project from an ecosystems point of view. I fear that what we have, once again, is another attempt to add a layer of grass, as it were, on top of a policy that I would not consider to be an intensively green one; that is, one that involves sustainable development. Both of those words, to us a committee, are as important as each other, as I am sure they are to you. Therefore, how can we have an influence as regards making further changes to this document?

[179] **Mr M. Jones:** It is a nice question. [*Laughter.*]

[180] **Lord Elis-Thomas:** This is a nice place to ask that question.

12.15 p.m.

[181] **Ms Evans:** Yr hyn yr oeddent yn dweud wrthym ar y dechrau oedd symleiddio, felly mae'n rhaid inni fynd yn ôl a phwysleisio mai dyna yw'r peth pwysicaf a sicrhau bod agwedd symlach yn cael ei chymryd at hyn i ddechrau. Nid ydynt yn creu'r sefyllfa y maent am fod ynddi, hyd yn oed gyda'r holl fanylion hyn. Felly, nid oes rheswm inni beidio â mynd yn ôl a'i wneud yn fwy syml i ddechrau ac yna gweld lle galledd fynd o hynny. Credaf ei bod yn bwysig inni fynd yn ôl a dweud nad yw hyn yn ddigon da a bod angen ailedrych ar hyn a dechrau o'r dechrau os mai dyna sydd angen.

Ms Evans: What we were told at the outset was simplification, so we must go back to emphasise that that is the most important thing and ensure that a simpler attitude is taken to this to start with. They are not creating the situation in which they want to be, even with all of these details. So, there is no reason for us not to go back and make it simpler to begin with and then see where we can go from there. I think that it is important that we should go back to say that this is not good enough and that we need to look at this again and start from the beginning if needed.

[182] **Mr M. Jones:** It is important for the EU to have certain rules to start with, but it is important that they make them as broad and flexible as possible and then allow the individual regions to construct the single farm payment how they feel that it would fit in best with them. Currently, they are interfering too much and it is causing more hassle. It is not driving the agricultural industry forward or proving any environmental gain. So, it is important that the regions—Wales, Northern Ireland, Scotland, England—go back to their basics and are allowed to do what they want on that kind of level.

[183] **Lord Elis-Thomas:** I will actually be in Northern Ireland on behalf of this committee, taking part in a discussion, on Friday, and I will relay exactly what you have said.

[184] I have one related question on flexibility. The Deputy Minister and the evidence that we have had emphasise the fact that the flexibility between pillars 1 and 2, which is 10 per cent one way and 5 per cent the other way, should not be operated on member-state level and that it should be operated at the EU-regional level, which is in Wales in our case. The NFU evidence argued that, although the notion of flexibility, if possible, should be at a member-state level, some of this should be taken out of the text. Do you think that that is a practical way of going at it? I am not asking you to attack the NFU. I would never do so; I have the presidents of the NFU and the FUW as constituents. [*Laughter.*]

[185] **Ms Evans:** We have campaigned strongly for fairer payment of pillar 2 funding to the UK, which is paramount. The flexibility may be required, so we better not campaign too hard to hit that until we know what share we are getting of the other. Like all of these things, this is a big juggling act, and we have to take a clever, political approach to some of these issues.

[186] **Lord Elis-Thomas:** I always thought that you would make a really good politician. [*Laughter.*]

[187] **Mr M. Jones:** From the young farmers' point of view, it is important to keep the flexibility. Once we know how much they are looking at, I believe that we should look to bring it from pillar 1 to pillar 2. If you go back the other way, there would not be much money that would make a lot of difference, to be honest. You would be better off supporting the agri-environment schemes. We would prefer to see schemes such as the young entrants support scheme and the young farmers being set up directly from pillar 1. We think that that would be the best way to go about it.

[188] **Antoinette Sandbach:** Again, perhaps, given your contacts in Europe, what view do you take of the option of changing, for example, the permanent pasture and the greening

provisions? We heard a statistic that about 85 per cent of Wales's agricultural land could be defined as permanent pasture. You described the sustainability choices that are taken away from the farm. How is that being received in Europe? What do you think that the prospects are of getting the co-decision-making process to change it?

[189] **Ms Evans:** The biggest problem that we have is that, because Cioloş is looking at Europe as a whole and his background is very dissimilar to ours, we have a very tall hill to climb on this, if not a mountain, to get through just how important this is. He relates permanent pasture as being environmental benefit. It is about getting the point across to him that that does not necessarily stack up in Wales and that it is not purely for the increase in production levels that we are fighting for this, but that other, deeper issues are involved. Maybe the Parliament and the bigger objections to the whole of the method of greening may be a better way of fighting this, because there is a lot of dissent over this at the moment.

[190] **Mr M. Jones:** We have similar kinds of views. Particularly in the livestock areas, France is probably in a similar situation. So, it is about trying to get those views across and trying to encourage them as much as possible.

[191] **William Powell:** I wanted to move back to the issue of horizontal regulation and issues about the enforcement of cross-compliance regulations. What particular views do you have on that? We touched earlier on the issues arising out of the dangers with small farmers, but what are your organisations' views on the current proposals in that area?

[192] **Ms Evans:** Certain elements are being discussed, such as less scrutiny for well-behaved countries that seem to be doing what they are required to do by the European Union. That kind of simplification is welcomed greatly by us. Any form of simplification is positive and we will welcome any of the simplification elements, but, again, we are not seeing enough simplification.

[193] **Mr M. Jones:** I do not think that they know what simplification is, to be quite honest. [*Laughter.*] If you look at the electronic identification of sheep that is coming in at the moment, it is quite clear that they do not understand what practical farming is all about and that they are not willing to take on other people's views in those areas. So, it is tricky. We would like to see everything simplified as much as possible, but I cannot see it happening.

[194] **Ms Evans:** May I add to that? The other unions were talking about disproportionate penalties. The crux of all of this is that we are talking about the European document, and Europe is where we have the fight at the moment, but when it gets fixed, much will depend on how Wales interprets that document. We are also spending a huge amount of time trying to concentrate on the detail, because if it comes through, it will be important that we and Wales agree on the way in which it should be interpreted and the way in which it should be taken forward, so that we do not end up with platinum plating. To give you the example of the movement of livestock, European regulations require that cattle movement is reported within three to seven days; Wales has required farmers to report within three days. Why do we set our bar so high for our farmers to fail, especially when this is the biggest problem that we have in Wales in terms of failures and penalties being applied to farmers? It is hugely important, when this is agreed and when we see things coming out of this that look as if they will stay, that Wales does not set the bar so high that it creates a situation in which our farmers will fail.

[195] **William Powell:** That is really important and it is something that we, as a group, need to take back to the Deputy Minister and officials, because it is making things far more complex than they need be from the base documents at European level.

[196] **Ms Evans:** Absolutely, and we very much welcome your scrutiny for that purpose

more than any other.

[197] **Vaughan Gething:** It is interesting that some of the themes that are coming out are about a fair system, but preferably one that is simple, and how you provide a fair system across all the different member states and devolved regions within Europe. I am interested in your view on a subject that we have raised with all our witnesses, namely this move to area-based payments. You represent people who will be winners and losers. How you will deal with that conflict as representative membership-based organisations is of great interest to us, because I assume that there will be potential winners who will say, ‘We’ve seen the modelling. We’re going to get more money. Give it to us to get on with it’—

[198] **Mr Humphries:** They are not quite as mean as that.

[199] **Vaughan Gething:** I am oversimplifying deliberately to make the point about how you would see the process being managed. We have had a number of views about the length of time that it should take and also the speed of the first stage, that is, how big the first jump should be. I know that you will have to manage a situation in which there will be people who will potentially lose out, again, potentially in intensive, productive lowland areas. How do you see that process being managed? I think that we are all aware that it is going to happen.

[200] **Mr Humphries:** Marc’s proposal is probably the most workable. However, one thing that we all ought to agree on—because we do all agree on this; I really mean this—is that the idea of the retired farmer sitting on his bum at home, grabbing the single farm payment, while somebody else does the work outside on the farm is completely unacceptable. None of us think that that is an attractive model, and it is happening a lot at the moment. You can see why everyone is wrestling with all these difficult definitions, because they are all aiming at quite a laudable target, but it does seem to bog down when you get back on the ground again.

[201] **Vaughan Gething:** There are two lawyers on this task and finish group. How do you provide a system that is workable, that meets objectives about trying to make it simple, but is something that you can effectively police? I guess that, going back to your proposal about staff hours—if that were possible—your point was, how do you police it effectively, and how would you introduce something that was not very regulation-heavy? As well as the policy objectives that we are all looking to define, at some point we need to get into the detail. I know that that is not something to do right now, on all of the detailed amendments that we might wish to make, but we have to grapple with this, as have you, rather than just bowling up in Brussels and saying, ‘We think that you are wrong’. That will not get us very far.

[202] **Ms Evans:** That is, unless you come up with a positive move forward. We believe that we should go back to the most basic simplicity by doing away with entitlements and getting rid of this trading ability. If there is no trading ability with entitlements, you do not have huge winners and losers, and huge amounts of money changing hands. It is a payment to the active farmer on an eligible hectare. That simplifies everything down to the basics.

[203] **Vaughan Gething:** That takes us back to how we define ‘active farmer’. Does anyone want to ask another question? We have time for another before we finish.

[204] **Mr M. Jones:** Could I make a quick point?

[205] **Vaughan Gething:** Yes—I was going to say that, otherwise, we would hand it over to you if you want to make any closing statement about anything that we have not covered that is important. Obviously, we have read your written evidence, but there is time for a brief closing statement.

[206] **Mr M. Jones:** I was just going to make a quick point on the last bit, really, on the

timescale. I am 28 now and the single farm payment is based on the year 2000. If we went for a 10-year turnover, that would be 2024, which would be 24 or 25 years, which is a huge gap. It is important to us as young farmers that we have people moving into the industry, but we also have people who are currently in the industry, so we are stuck in the middle. Instead of going in at 40 per cent in 2014, it is important to us to see 20 per cent, but we would also like to see the progression nearer to a five to seven-year period rather than a 10-year period, otherwise we are hugely disadvantaging young people who are coming into the industry. Then we could move over to entitlements or non-entitlements and that kind of system a lot sooner.

[207] **Vaughan Gething:** Did you want to make any general closing remarks? You do not have to, but I am giving you the opportunity.

[208] **Ms Evans:** If I could pick up on that comment while Marc is thinking about it, as we said in our paper, we have winners and losers on both sides, as all the organisations do, but the most pressing point is that the system in place at the moment is not just and fair, so the quicker we move away from that, in some respects, the better. However, we do not want to see farmers going bankrupt, so it is imperative that it is done in a way that gives them enough time. I agree with Marc on timescales: if we can reduce that initial hit, and then make it five or seven years, that would help. Seven years was adequate in England, and we have not seen a huge swathe of bankruptcies there, so there is no reason why we should think that any more than that is necessary in Wales.

[209] **Mr M. Jones:** It is just about giving farmers time to adapt—it is as simple as that. They will adapt, but having that huge hit in the first year will knock quite a few backwards.

[210] **Vaughan Gething:** With admirable symmetry, the final question comes from William Powell.

[211] **William Powell:** In fact, I wanted to make a brief comment rather than ask a question. This has been a really useful session this morning, and one particular theme that has come out is the issue around public acceptability. That has not always come to the fore. Reference has been made to the taxpayer, and at the breakfast that was hosted this morning, the Deputy Minister referred to the rural-urban divide; that needs addressing, and there are many ways in which that is being done, so there is a lot more progress in this area.

12.30 p.m.

[212] I think that we have try to avoid terms such as ‘ticking boxes’ and the like, as they could imply tokenism. That theme is really quite important while looking for justice and fair play for the farming community and the wider rural community in Wales. That has been a useful theme this morning.

[213] **Vaughan Gething:** The comment from the NFU about profitability was interesting, and how we can have an industry that receives payment from public funds in a way that is acceptable to the wider public and builds a more profitable industry that is not quite so reliant on public funds. We know the figures on the amount of farm income that comes from CAP.

[214] **Ms Evans:** We are all working for a more profitable business element to our businesses. We very much welcome the Deputy Minister’s approach to a business element in farming, and any support of that is very positive, really.

[215] **Mr M. Jones:** It is very important, particularly as you see in England how the businesses have restructured and become more efficient and profitable. With the last single farm payment, I felt that Welsh farmers have stood still for the past 10 years. It would be nice

to see that progression moving on with the next generation.

[216] **Vaughan Gething:** Well, that is a positive, progressive note to end on. Thank you all for your evidence today; it has been very interesting for us to hear the different perspectives in each of the sessions. You will be sent a transcript of today's evidence; if there are any inaccuracies in the text, please do tell us. As with all of our other witnesses, I am sure that we shall continue to speak with you and hear from you as the reform process continues. Many thanks.

12.32 p.m.

**Ymchwiliad i'r Diwygiadau Arfaethedig i'r Polisi Amaethyddol Cyffredin:
Sesiwn Hawl i Holi i Aelodau'r Cyhoedd Roi eu Barn ar y Cynigion ar gyfer y
PAC**

**Inquiry into Proposed Reforms to the Common Agricultural Policy: 'Open Mic'
Session for Members of the Public to Give their Views on the CAP Proposals**

[217] **Vaughan Gething:** As part of this item, if any members of the public are interested in contributing, we will send a microphone around. We should have some prepared questions that people have indicated that they would like to ask.

[218] **Ms Stocks:** We have not had any.

[219] **Vaughan Gething:** In that case, if anybody has a question, you need to indicate to an usher.

[220] I see that there are two questions. We shall move straight into those and see whether Members have any comments—they may just be points for us to listen to. The first is from Edward Perkins. Please wait for the microphone to come to you so that we can all hear what you have to say and it can be transcribed as part of the public record.

[221] **Mr Perkins:** My name is Edward Perkins, and I am a chartered surveyor from west Wales. Thank you very much for holding this session here today; it has been most interesting, especially given the groups that have taken part. As somebody who is involved in a lot of land management and land advice, I think that we are going to have to major on the question of who gets the payments. That is absolutely vital. We see a whole variety of situations in Wales, and working out what is best will probably only come after a bit of time and some modelling, in particular, has taken place to ascertain who has the land and so on.

[222] Having listened to this morning's proceedings, the question of an active farmer is a very difficult one. One of the things that I would like to put to the committee, because it has not been mentioned, is that one profession in particular, the accountants, is extremely keen on keeping members as active farmers, with very little—sometimes minute—amounts of activity. However, the Inland Revenue of course wants to know whether they are farmers or not. That has a huge effect with regard to inheritance tax. So, this is not only an agricultural situation; other professional and legal requirements are involved.

[223] I am concerned when—this was mentioned earlier—someone says, 'I own the land, I will have the single farm payment, but you can farm it'. That is totally wrong. We have to distinguish between landowners and occupiers. The man who is running the risk should get the payment. There is no question about that in my mind. Deciding how we will get there will take a little time and a bit of doing. However, that is the idea that we should keep in the forefront of our minds: the man who takes the risks should get the payment.

[224] There are vehicles—we use them in our business—and people have previously been entitled to single farm payments because they were in action, but, for some reason, they are no longer in action. You can construct an agreement that would transfer the farming entitlement to the occupier and then, of course, the landlord or the owner gets a rent. However, many of the accountants do not want to know this, because it is turning the thing into a rental agreement, which then turns it into an investment. As things stand at the moment, land under an investment situation such as that is free from inheritance tax if the agreement has been made since 1995. However, that could change. If it changes, then another can of worms is opened from the point of view of inheritance tax and what is paid. So, I am just asking whether you could widen your deliberations a little so that we have all of the bits and pieces in place. Could you also, during the course of your deliberations, consider the relationships with and evidence from the professional bodies in Wales so that we can put our points to you in due course? It is wonderful that this group exists. In my days as a young farmer, everything was dealt with in Whitehall and we had absolutely no chance of getting anywhere near a Minister. We are now here with the YFC, CLA, and other organisations in front of you. It is a marvellous opportunity; thank you very much for organising it today.

[225] **Vaughan Gething:** It is no problem. As you know, we are Members, not Ministers.

[226] **Lord Elis-Thomas:** Some Members have become Ministers. For example, Alun Davies.

[227] **Vaughan Gething:** That is true. He is the Deputy Minister, and was encouraging us all to eat more red meat this morning.

[228] You made some interesting points about relationships with other professional organisations. I know that Antoinette Sandbach wants to make a brief point on this.

[229] **Antoinette Sandbach:** Do you think that the inheritance tax provisions are having an impact in terms of the average age of farmers in Wales? Is that one of the things that is deterring new entrants?

[230] **Mr Perkins:** I think that that is a possibility. There could be an increase in the number of people who sit down and take the payment, but do not do the farming, because, as people get older, they are advised to remain farmers, which means that they keep various things going. They are farmers for inheritance tax purposes at some eventual date and so, yes, that does have a bearing on the situation. We have to try to find a way through this. The other problem with all of this is that the Inland Revenue does not sit on its backside; it jumps around like mad. If it thinks that there is something that it can grab hold of, it does so with the greatest of alacrity.

[231] **Vaughan Gething:** That is interesting point, but I am not sure that that will form part of our formal report. [*Laughter.*] However, there are questions and points to consider with regard to succession within what are, effectively, family businesses, as well as with regard to new entrants and how tenant farmers operate. Those are things that many of us have in our minds when thinking about this.

[232] **Mr Perkins:** On the question of new entrants—I do not know whether this is in my paper; I think that there is a note about young farmers—the young farmers scheme that has been published talks about new entrants, but 95 per cent of the new entrants I know have come in as partners in the business of their fathers and mothers. If you go around the clubs—the breed societies in Wales and young farmers' clubs—there are some strong, forward-thinking future farmers who may not be eligible for this scheme because they are already partners in an existing business. I do not know whether we can find a way around that. However, the idea that you can pick people off the streets and get them farming, as Marc or

somebody else here said this morning, is very unlikely. Years ago, there was a man called John Benyon down in Stackpole and someone asked him in a young farmers meeting how he got into farming. He answered that there were three ways: patrimony, parsimony and matrimony. [*Laughter.*]

[233] **William Powell:** Also, so many of the council holdings have been sold off in different parts of the country.

[234] **Mr Perkins:** Yes. The council holdings have provided a very good stepladder; there is no question about that. Again, succession on the council holdings is another issue that is causing problems, and, in fairness, some councils in Wales are very supportive, but, even so, they have to do some amount of selling in order to get the capital available to replace the capital that they need on other farms. So, it is a balance one way or another.

[235] **William Powell:** It is a diminishing overall resource.

[236] **Mr Perkins:** It is probably a diminishing overall landholding, yes.

[237] **Vaughan Gething:** We will move on to our next public contributor, who is Mr Tom Jones, who is going to ask a question in Welsh. He is an Ynys Môn Tom, as opposed to a Treforest Tom. Is he in the room? I am told he is not here. Tom's concern was about dairy farmers and potential changes to the single farm payment and how that would affect them. That point was certainly well covered in the evidence that we have heard today and on other occasions with regard to the modelling. We are aware that dairy and beef lowland farms are potentially going to be worst off according to the current models available. We will take another question from another gentleman. Please introduce yourself and tell us where you are from and then make your comment.

[238] **Mr Davies:** My name is Roger Davies. I am from an area about 15 miles from here on the bottom end of the Cambrian mountains. I maintain—it is a pity that the CLA and YFC have left—that the best way to get young people into farming is through changes in tax legislation rather than single farm payments. I am surrounded by tens of thousands of acres of private forestry, and the owners pay no tax whatsoever on the timber that they sell from that land, but, of course, they cannot claim anything that they spend on it. If that could be transferred to landowning, you would have a situation where landowners who dedicated their land to go to young farmers would be able to receive rent free of tax. That would enable young farmers to have land at a reduced rent. Edward may not agree with me, but we have known one another for a long time and well enough to disagree if necessary. However, I believe that that is something that should be looked at. I have been plugging this idea for some time, but nobody seems to listen. It may be outside of the remit of this group, but it is something that should be looked at. If a neighbour of mine sells £1 million of timber tomorrow, he does not pay 1p in tax.

[239] **Vaughan Gething:** It is an interesting point. I know that you recognise that it is not strictly within the remit of this task and finish group, but it is certainly an interesting point for us to think about with our other hats on, as it were, with regard to the work of the parent committee on environment and sustainability.

[240] **Lord Elis-Thomas:** If I may respond on behalf of the main committee, the Assembly does not have any fiscal powers in this area, but we often come across issues where the policy of the United Kingdom Treasury—I am thinking of feed-in tariffs for example; I am not looking at William Powell in particular—[*Laughter.*]

[241] **William Powell:** I have been ex-communicated on this.

[242] **Lord Elis-Thomas:** You may be ex-communicated in some places, but you will be canonised in others. [*Laughter.*] We could consider as part of another inquiry the whole question of making representations to the UK Government on the fiscal framework. That clearly affects any scheme that Welsh Ministers would bring in. I feel very often—this applies across the whole of our area of responsibility with regard to the environment and sustainable development—that there are things that the Welsh Government tries to pay to do with smaller sums at the margin, which would be better done perhaps as part of fiscal support across the UK, or indeed across the European Union. However, we can certainly respond to you on that. We could have some research done on that; I am looking in Nia’s direction.

12.45 p.m.

[243] **Ms Seaton:** I do not think that my tax knowledge is particularly up to the job, but we have financial experts.

[244] **Lord Elis-Thomas:** Yes, we have finance people, so we could look at it.

[245] **Mr Davies:** Diolch yn fawr i chi. **Mr Davies:** Thank you very much.

[246] **Yr Arglwydd Elis-Thomas:** Mae’n ddrwg gen i—atebais yn Saesneg. **Lord Elis-Thomas:** Oh, I do apologise, I answered in English.

[247] **Vaughan Gething:** Thank you. I see that we have one more comment from a member of the public.

[248] **Mr Williams:** My name is Wyn Williams. I represent the processing industry in Wales. I work for a company called Dunbia. I appreciate that this group is looking at the impact of the CAP reforms. If you have the opportunity in the long term, in looking at your impact assessments and modelling, you should look at what the effect will be, depending on what is decided by the European Union about what will affect livestock numbers in Wales. I will give you an indicator with regard to the processing companies that we have here. We have four main companies. I work for Dunbia in Carmarthenshire, where we are the leading private employer. There is Welsh Country Foods or VION Food Group Ltd on Anglesey, and there are also companies in Merthyr Tydfil and Llanidloes. So, you have four main companies that directly employ approximately 2,500 people. There is also the rural impact with regard to local employment, because there are ancillary services and employers in those various areas.

[249] We are very concerned about the talk about the immediate impact of 40 per cent. It is very important during the transitional period for everyone to get into a position where it does not have an immediate effect on those businesses. As a company, in order to expand and so on, we rely on having people producing lamb and beef within the industry. As Alun said with regard to Hybu Cig Cymru—I am sure that HCC will give you the figures as well—the four companies here represent 80 per cent of the total throughput of all Welsh kill. However, the most important thing for me is that the four processing companies that you have in Wales are the four biggest in the UK as well. So, you have a dynamic industry, and we totally rely on farmers, including young farmers, to produce livestock and livestock of the quality that we require overall.

[250] On the young farmers’ front—and I have a little bit of grey hair—I also farm, and one of the impacts that I experienced when we had quotas was a base rate of 15 per cent. There are only a few people on the committee who will remember that. I wanted to gradually improve my farm. I had to buy the farm and grow the numbers. I was affected by the very fact of the base year being taken back. So, when I was getting to my limits, I got a 50 per cent knock to my livestock numbers. There was also the impact of the single farm payment. When it first came in, there were people thinking about and devising opportunities for young

farmers to rent ground, when what happened was that the majority of owners who retired rented land on a short-term keep basis, which the established businesses took on, and they levelled their costs overall.

[251] So, obviously, if the base rate is a European Union edict, it is out of our hands. However, from a Welsh perspective, we have to be careful how we implement the defining year to ensure that the young farmers—or new entrants I should say—get a fair rate and do not get into a situation where they have to compete with existing established businesses.

[252] **Vaughan Gething:** Those are interesting points, and we will certainly take on board the point about entitlements and the ways in which they do and do not work for new entrants. It is certainly something for us to consider. We have another person who wants to make a comment.

[253] **Ms Fowler:** My name is Sue Fowler, and I am the director of Organic Centre Wales. My point is about the organic element in the greening of pillar 1. My concern is that, when people talk about achieving fairness, they say that, if organic farmers are getting it, those on agri-environment schemes should also get it. This point was raised at the HCC meeting last week, which is that organic farming has a base in legislation across Europe. Therefore, it is simple, and not every agri-environment scheme changes from country to country, so it can be done. It also achieves this balance between food production and environmental sustainability. Food production is a key element of pillar 1. People tend to lump organic farming with extensive and low-input farming. It may be low input in terms of external resources, but it is certainly high input in terms of farmer knowledge, expertise and optimum use of resources. In achieving many of Wales's objectives, organic farming is a sensible measure to include in the greening element of pillar 1, and I am concerned that, because people want the other one in, it implies that they want organic out. I have spoken to some of the people who gave representations, and they do not necessarily think that, but it might come over that way.

[254] **Vaughan Gething:** To be fair, from the evidence that we have had, it is pretty clear that they wanted significant agri-environment gains to be treated in the same way in pillar 1, rather than instead of organic farming. I have not noted that there has been any appetite to remove organic farming.

[255] **Ms Fowler:** However, that conflicts with other things that they have said about keeping pillar 1 as food production, because the agri-environment schemes tend to be at the margins of food production. Food production is done in the field and the agri-environment scheme is done around the edges. That is the thing about organic farming: it does the agri-environment stuff and, one might argue, climate change and so on, within the food production system. Although it falls under the agri-environment measure, it is organic farming.

[256] **Vaughan Gething:** The range of views that we have had on what should and should not be in pillar 1 affects some of the views that we have on a whole range of things. These are issues with which we will have to grapple in coming to our own view on what we think is sensible.

[257] **Lord Elis-Thomas:** You have produced some evidence recently on this that would be helpful to us. I know that we have one paper.

[258] **Ms Fowler:** I believe that you had something from the Soil Association. I have not provided you with a paper, but I will.

[259] **Lord Elis-Thomas:** If you could, I would encourage you to do so, because we will certainly make use of it.

[260] **Ms Fowler:** Is there a time frame for submitting the paper?

[261] **Lord Elis-Thomas:** You can write to all of us.

[262] **Vaughan Gething:** We have had some further papers to note from the Soil Association. As a group, we will be meeting on 7 December to consider the key themes from this initial evidence, but this is an ongoing process. As I said earlier, there will not be a sudden cut-off point after which we will form our views for the rest of the year and more, when the CAP reforms will be discussed. Although there was not a formal call for evidence, we will have to continue to think about involving views. As all of the witnesses today have made clear in their written evidence, these are their initial views, and are not their fixed or finished views, because we know that the reform process has not finished.

[263] **William Powell:** It would be useful if we could once again contact Organic Farmers and Growers, which represents a significant minority of Welsh organic producers. When I last asked, I do not believe that it had submitted anything, which is a bit disappointing. I was also going to suggest that Gregg Jones, or somebody within that team, could give us more of an overview of the different types of agri-environment schemes that apply across the 27 member states. We have had some work on that, but a little bit more of an overview could help us in our understanding of it.

[264] **Vaughan Gething:** We know that some member states have agri-environment schemes that look more like ours than others. There is a range of what people consider to be agri-environment, and the level of best practice that exists, so we would need to think about that in terms of what we want to say and how it affects potential alliances across different regions of Europe. Do you want to make a final comment?

[265] **Ms Fowler:** Yes. Groups representing organic farmers in Wales are a bit of an issue. A group of farmers came together to meet the Deputy Minister. I know them well, but I would not say that they were representative of the body of organic farmers in Wales. There are three different certification bodies. Organic farmers are part of the other farmers unions, so there is not a place that you can go to speak to them. Organic Centre Wales has always supported the organic strategy group and acted as a consultative body. We are very happy to continue in that role.

[266] **Vaughan Gething:** Thank you. That is a very interesting perspective on which to end the public session. We will close the meeting now. As I said, we will be meeting again on 7 December to consider initial views and emerging themes from the evidence. We will then have an opportunity to produce a letter that will include our initial thoughts on the whole process. Committee members may take the opportunity tomorrow to talk about CAP in the debate in the National Assembly. I thank all members of the public for attending and contributing, and also thank Members for coming out to enjoy the Royal Welsh winter fair. We look forward to seeing you in the very near future.

*Daeth y cyfarfod i ben am 12.56 p.m.
The meeting ended at 12.56 p.m.*