



Ulster Unionist Party Consultation Response

Department of Agriculture and Rural Development

**Consultation on EU Commission Proposals for
Common Agricultural Policy (CAP) Reform post 2013**

Introduction

The Ulster Unionist Party recognises the huge importance of agriculture to Northern Ireland. Recent statistics show that the industry has an approximate direct labour force of 47,000 with many more relying on the sector indirectly. As a result agriculture in Northern Ireland not only contributes to the economy and communities in rural areas but plays an important role in society as a whole.

It is important to note that Northern Ireland's farmers and growers are a key component of the wider agri-food sector, an innovative part of our economy with a real potential for growth. The Ulster Unionist Party feels that the support and further development of the agri-food sector is a vital part of our longer-term economic strategy which aims to reduce our reliance on the public sector and develop a more dynamic private sector with a broad range of employment and business opportunities.

Northern Ireland's countryside, enjoyed by many locals and visitors alike, has also been shaped by generations of farmers working the land and producing food. This role of managing the countryside continues to this day with many producers carrying out important work either as part of existing agri-environment schemes and cross compliance regulations or through their own individual initiatives which have helped to preserve and develop a range of habitats plus encourage biodiversity, work that benefits us all.

Ultimately however agriculture involves the production of food, a communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions in December 2010 stated that:

“The primary role of agriculture is to supply food. Given that demand worldwide will continue rising in the future, the EU should be able to contribute to world food demand.”

In recent years consumers and producers alike have become increasingly aware of the importance of sustainable production and food traceability. Northern Ireland producers operate within guidelines designed to protect public health, safeguard animal welfare and minimise environmental impact, measures which mean that the standard of local produce is second to none.

Common Agricultural Policy (CAP) Reform Post 2013

2012 marks 50 years since the Common Agricultural Policy (CAP) was first devised and implemented. Since those original negotiations between the Governments and policymakers of just six nations in 1962, what we now know as the European Union (EU), the wider world and agriculture itself have all changed immeasurably.

In light of these realities there must be recognition that the CAP cannot stand still in an ever changing world. In 2010 the Commission conducted a broad public debate on the CAP, as a result of this seven major challenges were identified, namely; food security, competitiveness, globalisation, environmental challenge, territorial balance, diversity and simplicity. The findings of this consultation led to the development of the Commission's 3 main strategic priorities for the future of the CAP; food production, the sustainable management of natural resources and the maintenance of the social fabric and landscape of rural areas (territorial balance).

Agreement on the Multi-Annual Financial Framework (MFF), or budget, is a key part of this entire reform process. It is important that the CAP is well resourced and although there is currently a commitment to freeze the budget in nominal terms we are concerned about the impact of inflation on the budget in real terms.

Clarification regarding the precise nature of many aspects of the Commission's legislative proposals have yet to be provided. Furthermore the introduction of co-decision to the legislative process by the Lisbon Treaty means that agreement must now be reached between the European Commission, Council and, for the first time, Parliament. The fact that MEPs from across the political spectrum representing 27 Member States will now play a key role in this reform means that the proposals as originally published by the Commission are likely to be the subject of intense debate and considerable amendment.

Direct Payments Regulation (Pillar I)

The proposal to use 2014 as the baseline year with the requirement to have activated one SFP entitlement in 2011 does have possible implications for new entrants or business changes who have not been allocated entitlements.

Given that Northern Ireland has employed the hybrid model the proposal to move towards a flat rate payment does pose a number of concerns. A longer transition period would help to eliminate some of these problems by giving farm businesses more time to adjust to the new system. In general allowing flexibility on such decisions to regions would be useful.

The Ulster Unionist Party has concerns that the proposed move towards an EU wide flat rate would reduce the funds allocated to Northern Ireland, which would have an impact on the wider economy given the importance of agriculture to Northern Ireland as a whole.

The environmental schemes and initiatives traditionally delivered through Pillar II have had a positive impact on the countryside and rural communities in Northern Ireland, the Ulster Unionist Party has however consistently opposed the greening of Pillar I throughout this reform process and this continues to be the case.

Given the need to supply food for a growing world population it is somewhat surprising that the Commission has proposed a range of EU wide mandatory environmental measures that actually have the potential to hamper production. Furthermore these proposals are likely to actively work against achieving another much needed aim of this process namely, simplification.

The UK Government is currently preparing a submission to the Commission which seeks to increase the flexibility of the greening proposals so that they can be more readily tailored to meet the needs of each Member State, this would help to overcome the problem that would arise from imposing the same measures across the EU given the variation that exists between farming practices, topography and landscape across the 27 Member States. It is important that DARD feeds into this submission to ensure that Defra officials are fully aware of the situation in Northern Ireland, for example the fact that agriculture in Northern Ireland is largely grass-based means that removing permanent grassland from the greening measures could in this regard penalise the sector here in.

The arable sector constitutes less of Northern Ireland's land use than it does in many other regions of the EU, however this measure is likely to have the unintended consequence of forcing farmers out of cereals or crops due to the added burden imposed upon by the need for mandatory crop diversification. This would actually negatively impact upon biodiversity in Northern Ireland and reverse positive work carried out in recent years.

Taking further land out of production by introducing a 7% ecological set aside also runs contrary to the recognised need to produce extra food to satisfy a growing world population. In proposing the ecological focus area measure the Commission appears oblivious to the difficulties that will arise in measuring the areas that are likely to qualify. As mentioned above removing more land from production is again counter intuitive given the pressure being placed on global supplies of food. There may also be some merit in exploring the possibility of applying greening measures on a regional basis. There is also concern regarding the proposals regarding permanent pasture, particularly with regards its definition as once again there is variation across the 27 Member States.

The option to make additional payments under Pillar I in areas with natural constraints has the advantage of allowing regions to decide at a later stage and following further analysis whether such a payment would indeed be beneficial. Further clarification is however needed as to how this measure interacts with Pillar II payments.

The provision of support to young farmers is an important factor in safeguarding the future of the agricultural industry, however further clarification is needed regarding the definition of a new entrant Young Farmer plus it is difficult to gauge

at this stage whether the proposals in their current form will have the desired effect in terms of attracting and retaining young people to the agricultural sector.

There is a lack of clarity concerning the option for coupled payments to be adopted by Member States. Furthermore, given the possible impact of this proposal the maximum level of coupled support should be set at the same level for all Member States.

With regards the Small Farmers Scheme the definition of what constitutes a small farm can vary greatly across the 27 EU Member States therefore imposing this measure across the EU will be fraught with difficulties and requires further clarification and consideration.

As DARD's initial analysis suggests the Commission's capping proposals will, in their current form, have limited impact on Northern Ireland. The number of Northern Ireland's farmers affected could reduce further once wages are taken into account. In general it is important that the desire of the Commission to limit payments does not overly penalise some of the most competitive farm businesses or that this does not become an alternative means of funding rural development which should be adequately funded in its own right.

The theory that EU direct payments should be directed towards those involved in real agricultural activity is understandable, however the level of information that would need to be obtained and assessed for the claimants receiving above the €5,000 threshold will be costly and time-consuming for both DARD and the farmers concerned and will have limited desired effect. The proposals in their current form will also be difficult to apply from a legal perspective.

The Commission must however provide clear guidance as to who is eligible for payments in situations involving landowners and grazers. Northern Ireland has a long tradition of conacre, it is therefore important that the issues which arise from this largely unique arrangement of land-letting are fully communicated and explained by DARD during negotiations with Defra and the Commission.

It is perhaps too soon to say what benefit or impact the ability to transfer funds between Pillar I and Pillar II will have given the lack of clarity surrounding the budget. Furthermore, it is vital that the UK secures a better budget for Rural Development as the result of the previous negotiations left Pillar II underfunded, the priority must be to ensure that both Pillars are adequately funded to meet Northern Ireland's needs although the flexibility offered by this proposal could be beneficial.

Many of the Commission's proposals with regards Pillar I run contrary to their previous stated aim of simplification.

Single CMO

The Commission is proposing the extension of aid to producer organisations, such a move aims to increase the power of farmers and help ensure a fairer distribution of profits along the food supply-chain. There is however a need to ensure that this does not involve the creation of expensive and unnecessary bureaucracy, some issues have previously been identified with producer organisations and it is important that lessons are learned to improve and streamline the system if it is to be successfully implemented.

Rural Development

To reiterate it must be a priority that Pillar II is adequately funded in its own right, in previous negotiations the UK did not secure a good deal on Rural Development and this must be addressed in forthcoming negotiations. The Commission's proposals to remove the existing Axis structure does in theory increase flexibility and allow the better prioritisation of funds to suit the specific needs of the region which if used correctly should help bring about a more appropriate use of resources. The effective ring-fencing of at least 25% of Pillar II funding for climate change mitigation and adaptation and land management measures recognises the need for land-use to be sustainable and the Ulster Unionist Party recognises the importance of such a proposal.

The six priorities as outlined by the Commission do appear to have sufficient breadth to encompass all the current issues faced by agriculture and wider rural areas plus prepare for the issues likely to arise in the future.

The inclusion of agri-environment-climate as a compulsory measure should represent no major difficulties for Northern Ireland given that farmers have shown a willingness to join such initiatives in the past. Future schemes should however be designed and implemented by DARD to address the weaknesses previously identified to enhance their effectiveness.

There does appear to be sufficient scope within the proposed activities and measures to allow the flexibility needed to create a Rural Development Programme tailored to reflect the needs of agriculture and wider rural areas in Northern Ireland. Measures which encourage research and innovation and improve how this information and best practice is shared would help to ensure that agriculture can develop and evolve to meet the challenges of the future. For example a rural broadband network is an integral part of driving innovation and enterprise in agriculture and all aspects of life in rural areas.

The Ulster Unionist Party recognises that separate engagement continues surrounding the issue of LFA re-designation. Supporting farmers in areas of natural constraint is vital for maintaining land-use in areas which may otherwise be neglected. It would be unfair to penalise farmers with degressive payments should the re-designation exercise not be completed by the Commission's

deadline of 01st January 2014. Such a penalty is designed to ensure that Member States complete the process of re-designation in a timely fashion. The Commission should not reduce the payments made to farmers in areas of natural constraint pending the completion the re-designation process, in short degressive payments should not be implemented.

There is at present a lack of detail as to the precise nature of the Commission's proposals with regards risk management, plus there is the potential for this proposal to divert funds from other Rural Development projects.

The Ulster Unionist Party notes that a review of the Leader approach is currently being conducted, local decision making has merit and it is important that delivery mechanisms are improved and simplified where possible.

Increased co-ordination between delivering various EU funds has the potential to bring about a range of benefits, in its most basic terms it makes sense financially and administratively however differences in rules that currently exist between funding streams will need to be addressed if this intention can become a reality.

The inclusion of knowledge transfer and innovation does have the potential to bring about an improvement in how research is conducted and shared amongst the agricultural industry which could bring about significant benefits to the sector. If managed correctly increasing and improving R&D in agriculture will also benefit the agri-food sector, our rural communities and wider economy as a whole.

Financing, Managing and Monitoring the CAP

Extending the Farm Advisory System (FAS) to help all farmers and landowners meet their cross-compliance requirements and fulfil their obligations with regard SMRs and GAECs is to be welcomed, as is the commitment to staff training and improving communication. The FAS must also be delivered as cost effectively as possible.

Cross compliance

The proposed reduction in the number of SMRs and GAECs and efforts to reduce overlap between the two does show some willingness on the part of the Commission to acknowledge the negative impact that excessive bureaucracy can have on farm businesses. However the success of this proposal will be judged by the practical outworking not by words alone, especially given the fact that the greening measures proposed increase bureaucracy and contradict the supposed aim of simplification.

The proposal to ban the first ploughing of wetland and carbon rich soils could have a detrimental impact on agriculture in Northern Ireland and the UK as a whole. Such a proposal would restrict the ability of farm businesses to reseed

which can in turn reduce productivity. There is a lack of clarity as to what actually constitutes 'carbon rich', the nature of soil varies greatly across EU Member States which complicates the introduction of such an EU wide proposal further.

The Ulster Unionist Party recognises that farmers have a role to play in helping Northern Ireland meet its commitments to the European Water Framework Directive. However we are concerned that these additional cross compliance measures would place an increased bureaucratic burden on our farmers.

Much needed clarity is needed regarding the impact on the Rural Development budget in 2013 given the absence of voluntary modulation.

Conclusion

The Ulster Unionist Party believes that the CAP must remain relevant and fit for purpose to help agriculture and the EU face the realities, overcome the challenges and seize the opportunities presented by the 21st Century. The Ulster Unionist Party is committed to securing a reformed CAP that is well well-funded and simplified. A CAP that has within it the flexibility to reflect the variations that exist between 27 EU Member States and provides a framework which seeks to provide our citizens with quality food at affordable prices, helps deliver environmental benefits and rewards our farmers for delivering these goals.

Like many other stakeholders the Ulster Unionist Party does question the ability of the Commission's initial proposals to deliver what is actually required at this time by agriculture, the environment and consumers alike.

The global population passed the 7 billion mark in 2011 with even the most conservative projections anticipating that this will continue to rise steadily over the coming decades. Combining this growing world population with increasingly 'westernised' diets in the developing world means that food production in the EU must have a strategic, global outlook. Agriculture in the EU must be able to adapt to changing conditions in the marketplace head-on or face being left at a competitive disadvantage by countries outside the EU.

Because of these concerns and given the nature of this reform process it is vitally important that DARD effectively communicates Northern Ireland's case to Defra, ensuring that it is aware of the realities faced by the agricultural sector here, its importance to the economy and the possible implications of the Commission's proposals. DARD must also seek to continue its engagement with other relevant stakeholders within the European institutions and elsewhere to ensure that where possible the views and needs of Northern Ireland are voiced in the forthcoming negotiations.