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Mr Rhodri Glyn Thomas AM
Chairman, Rural Development Sub-Committee
Welsh Assembly Government
National Assembly for Wales
Cardiff Bay
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30th April 2010

Dear Chairman,

Thank you for providing the Farmers Union of Wales' with the opportunity to provide evidence to the Rural Development Sub-Committee regarding the Common Agricultural Policy Health Check. Please find the Union's written submission below.

Yours sincerely

Nicholas Fenwick

Director of Agricultural Policy

FARMERS' UNION OF WALES' SUBMISSION TO THE RURAL DEVELOPMENT SUB COMMITTEE INQUIRY INTO THE REFORM OF THE COMMON AGRICULTURAL POLICY

BACKGROUND

The Farmers' Union of Wales

1. The Farmers' Union of Wales was established in 1955 to protect and advance the interests of Welsh families who derive an income from agriculture. In addition to thirty-five Area Officers, the FUW has eleven offices distributed around Wales that provide a broad range of services to members. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees.

The Common Agricultural Policy

2. The disruption caused by the Second World War to European food production and distribution led to widespread starvation, and severe, often permanent illnesses due to vitamin and mineral deficiencies. For example, in the Netherlands alone many thousands died of starvation, and in Nazi-occupied Jersey children's growth was stunted by two and a half inches due to malnourishment. In the UK, bread rationing continued until 1948, while meat rationing was not abolished until 1954.
3. The recognition of the need for viable agricultural sectors and stable supplies of affordable food led the UK Government to pass the 1947 Agriculture Act, while on the Continent the 1957 *Treaty of Rome* defined the objectives of a common European agricultural policy. The Common Agricultural Policy (CAP) came into full force in 1962, and from 1973 the UK support system, established under the 1947 Agriculture Act, was progressively subsumed into the CAP.
4. The food security established by the 1947 Agriculture Act and the CAP has led to significant complacency regarding the importance of agriculture to Wales and the UK, which has in turn led to increasing reliance upon imported foodstuffs; current UK food self sufficiency is estimated to be around 60 percent, a fall of ten percent since the 1980s.
5. In recent years, concerns regarding rising world populations, global warming, and peak oil production has rekindled awareness of the importance of global food security. In 2007 and 2008 concerns regarding shortages in global food supplies became a reality, with scores of countries around the globe suffering conflict and social unrest due to food shortages, acute rises in food and energy prices, the rationing of certain foodstuffs by major retailers, and some countries introducing food export bans.
6. In July 2008, a discussion paper issued by Defra concluded that *'the current global food security situation is a cause for deep concern'*, listing high energy prices, poor harvests, rising demand, biofuels and export bans in some countries as main factors.
7. It is estimated that World populations will rise to between nine and ten billion by 2050, while global agricultural productivity per hectare is expected to fall by between 3 and 16 percent by 2080¹.

¹ Cline (2007)

8. The CAP, by design, provides a framework that allows Europe to react to the imminent challenges that growing populations, global warming, rising sea levels, and peak oil production represent in terms of food security.

Agriculture in Wales

9. Wales has some 39,000 holdings, around 18,000 of which receive CAP payments. Of those holdings considered to be agriculturally significant, 66% percent are Less Favoured Area (LFA) cattle and sheep enterprises; 12% are dairy enterprises; 13% are non LFA cattle and sheep enterprises; and 2 percent are arable enterprises, with other crop or mixed enterprises making up the remainder².
10. In 2007, 1.6 million hectares of Welsh land was categorised as agricultural land, equating to 79 percent of the surface area of Wales. This comprised arable land (9.9%), permanent grassland (61.0%), rough grazing (12.8%), common land (11.0%), woodland (4.1%), and other land (1.2%)³.
11. Around two out of every five rural businesses can be classed as being involved in the farming industry⁴. In 2008, Welsh agriculture employed 57,600 people in full time, part time, and seasonal employment². This figure does not include the secondary businesses related to agriculture such as contractors, feed merchants, and food processors.
12. The proportion of the working age population in rural Wales who are working and who are self-employed is 7% higher than in Wales as a whole, which reflects the fact that rural businesses have a high dependency on the agricultural sector⁴.
13. It has been estimated that agriculture supports over 10% of full time employees in Wales⁵, and the numbers directly and indirectly employed in farming therefore make a crucial contribution towards sustaining rural businesses and communities.
14. Aggregate Agricultural Output for 2009 is estimated to have been £1.13 billion, with the livestock and dairy sectors contributing £552 million (49%) and £330 million (30%) to this figure⁶ respectively.

Welsh Agriculture and the CAP

15. A total of £357.4 million in CAP payments was made to farm businesses in 2009⁶. This comprised:
- i. some £275 million in Single Payments, made under Pillar 1 of the CAP (direct payments) (77%), and
 - ii. Around £82 million in Rural Development (Pillar 2) payments (23%); primarily comprising Axis II payments under agri-environmental schemes such as Tir Gofal, and Less Favoured Area support in the form of Tir Mynydd

² Welsh Assembly Government Farming Facts and Figures 2009

³ Welsh Agricultural Statistics 2008

⁴ A Statistical Focus on Rural Wales, Welsh Assembly Government Statistical Directorate (2001)

⁵ The Economic Potential of Plants and Animals Not Currently Fully Exploited by the Welsh Agricultural Sector, Central Science Laboratories, 2003

⁶ Aggregate Agricultural Output and Income 2009, Statistical Directorate, Welsh Assembly Government

16. Single Payments made to Welsh farm businesses are currently based upon average CAP Pillar 1 payments received per hectare during reference years not affected by what the Welsh Assembly Government deemed were exceptional circumstances (predominately the years 2000, 2001, and 2002), and/or the amount of milk quota held on the 31st of March 2005.
17. CAP Pillar 1 payments received during the reference period were effectively based upon the number of eligible stock held on each farm, which, in turn, can be considered to be a function of the fertility, size, altitude, and climate of any particular farm.
18. Thus, the total payment received by a smaller, fertile, lowland farm can be similar to that received by an extensive, infertile, upland farm, with both payments effectively reflecting the production capacity (but not the current production) of each farm.
19. Figures produced by the Farmers' Union of Wales show that, in 2007, average Single Payments made to farms categorised as purely lowland and Severely Disadvantaged Area businesses were £12,130 and £12,869 respectively, despite lowland farms being, on average, 40% smaller than SDA farms⁷.
20. However, there exist significant variations in terms of payments made per hectare for all farm types, and a transition to a simplistic flat-rate payment per hectare model, as is currently proposed under the CAP Health Check agreement, would represent significant disruption for Welsh farm businesses⁸.
21. The position of Welsh agriculture prior to the adverse affects of the 2007 FMD outbreak was summarised in the Sustainable Farming and Environment: Action Towards 2020 Report as follows: *"Most businesses would not be able to survive on the financial returns which the Welsh agricultural industry continues to produce... If production falls below what is referred to as a critical mass the agricultural supply and processing industries will suffer irreparably as a consequence. Farming, with all its diverse effects on the landscape, the economy, communities and social structures, will only be sustainable if it returns to acceptable profitability in the short to medium term."*
22. Data for lamb production in the 2008/09 financial year show that, on average, market prices cover 88% of production costs, with the top third of producers achieving returns of 10% on their investments⁹. Data for suckler calf production over the same period show that market returns covered an average of 57% of production costs, with the top third of producers falling 25% short of breaking even on their investments¹⁰.
23. This is also reflected in figures produced by the Farm Business Survey (*Table 1*), which show that Welsh farms continue to be significantly reliant upon the payments received under the CAP, and that most would be unviable in the absence of such payments.

⁷ Work in progress

⁸ [An Analysis of the Welsh Single Payment Regime and the Impact of Possible Flat-Rate Single Payment Models, Farmers Union of Wales \(July 2009\)](#)

⁹ Lamb Production Costs, Hybu Cig Cymru 2009

¹⁰ Suckler Calf Production Costs, Hybu Cig Cymru 2009

| FARM TYPE | NET FARM INCOME | | SINGLE PAYMENT | | TIR MYNYDD AND AGRI-ENVIRONMENTAL PAYMENTS | |
|--------------------------------|-----------------|-----------|----------------|-----------|--|-----------|
| | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 |
| Hill and Upland Dairy Farms | £43,881 | £47,065 | £25,103 | £27,830 | £3,628 | £3,928 |
| Lowland Dairy Farms | £48,477 | £62,560 | £29,797 | £33,553 | £2,961 | £3,230 |
| Hill Sheep Farms | £13,102 | £18,290 | £29,976 | £33,128 | £16,929 | £13,920 |
| Hill Cattle and Sheep Farms | £13,681 | £18,715 | £31,872 | £35,422 | £13,017 | £11,375 |
| Upland Cattle and Sheep Farms | £14,134 | £24,380 | £24,535 | £27,555 | £5,396 | £6,481 |
| Lowland Cattle and Sheep Farms | £17,363 | £26,337 | £25,195 | £28,603 | £4,058 | £3,880 |

| FARM TYPE | CONTRIBUTION OF SINGLE PAYMENTS TO NET INCOMES | | CONTRIBUTION OF TIR MYNYDD AND AGRI ENVIRONMENTAL PAYMENTS TO NET INCOMES | | TOTAL CONTRIBUTIONS OF CAP PAYMENTS TO NET INCOMES | |
|--------------------------------|--|----------------|---|-----------|--|----------------|
| | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 |
| Hill and Upland Dairy Farms | 57.21% | 59.13% | 8.27% | 8.35% | 65.47% | 67.48% |
| Lowland Dairy Farms | 61.47% | 53.63% | 6.11% | 5.16% | 67.57% | 58.80% |
| Hill Sheep Farms | 228.79% | 181.13% | 129.21% | 76.11% | 358.00% | 257.23% |
| Hill Cattle and Sheep Farms | 232.97% | 189.27% | 95.15% | 60.78% | 328.11% | 250.05% |
| Upland Cattle and Sheep Farms | 173.59% | 113.02% | 38.18% | 26.58% | 211.77% | 139.61% |
| Lowland Cattle and Sheep Farms | 145.11% | 108.60% | 23.37% | 14.73% | 168.48% | 123.34% |

| FARM TYPE | NET INCOMES LESS SINGLE PAYMENTS | | NET INCOMES LESS TIR MYNYDD AND AGRI ENVIRONMENTAL PAYMENTS | | NET INCOMES LESS ALL CAP PAYMENTS | |
|--------------------------------|----------------------------------|-----------------|---|-----------|-----------------------------------|-----------------|
| | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 |
| Hill and Upland Dairy Farms | £18,778 | £19,235 | £40,253 | £43,137 | £15,150 | £15,307 |
| Lowland Dairy Farms | £18,680 | £29,007 | £45,516 | £59,330 | £15,719 | £25,777 |
| Hill Sheep Farms | -£16,874 | -£14,838 | -£3,827 | £4,370 | -£33,803 | -£28,758 |
| Hill Cattle and Sheep Farms | -£18,191 | -£16,707 | £664 | £7,340 | -£31,208 | -£28,082 |
| Upland Cattle and Sheep Farms | -£10,401 | -£3,175 | £8,738 | £17,899 | -£15,797 | -£9,656 |
| Lowland Cattle and Sheep Farms | -£7,832 | -£2,266 | £13,305 | £22,457 | -£11,890 | -£6,146 |

Tables 1-3: Statistics taken from the Farm Business Survey for the financial years 2007-2008 and 2008-2009

24. In 2005, HM Treasury and DEFRA published “*A Vision for the Common Agricultural Policy*”, setting out the UK Government’s vision for EU agricultural policy to 2020. The key policy reforms proposed included:
- i. The alignment of import tariffs for all agricultural sectors with other sectors of the economy
 - ii. The abolition of production subsidies
 - iii. The abolition of price and direct income support measures
 - iv. The abolition of export subsidies
25. Following the publication of the policy, the Food and Agricultural Policy Research Institute (FAPRI) were commissioned by WAG and other administrations to analyse the impact of these key policy reform proposals on agriculture in Wales using the FAPRI-UK project modelling system. The results of the modelling were published in July 2009¹¹, revealing significant adverse impacts for Welsh agriculture and rural communities.
26. The work summarised the impact for individual sectors as follows:
27. Dairy Sector:
- i. The phased increase and eventual abolition of milk quotas under the Health Check reforms has a depressing impact on the projected producer milk price and production in Wales
 - ii. Cheese and, to a greater extent, butter prices decline further in response to Doha WTO reforms. The decline in the prices of these commodities exerts a further downward impact on the Welsh producer milk price
 - iii. Further trade liberalisation has a small negative impact on dairy commodity prices since butter, SMP and WMP EU prices track their world prices
27. Beef Sector:
- i. The extensive over quota tariff cuts results in a significant increase in projected non-EU beef imports
 - ii. EU beef prices, including those in Wales, decline markedly in response to this large increase in imports
 - iii. By the end of the projection period, the Welsh price of finished beef animals is 26% lower
 - iv. The phased elimination of the SFP has a significant negative impact on suckler cow numbers and beef production in Wales

¹¹ Impact of HM Treasury/Defra’s Vision for the Common Agricultural Policy on Agriculture in Wales, FAPRI, July 2009

28. Sheep Sector:
- i. The full reduction in over-quota import tariffs under the WTO reform scenario leads to higher non-EU imports and, consequently, lower sheepmeat prices.
 - ii. Projected Welsh ewe numbers and sheepmeat production fall in response to the decline in price.
 - iii. Trade liberalisation leads to a further substantial increase in non-EU sheepmeat imports. The increase in non-EU imports has a depressing impact on sheepmeat prices. The projected average Welsh price of finished sheep and lambs is 12 per cent lower in 2018.
 - iv. The decline in price reduces sheepmeat economic returns and depresses ewe numbers and production in Wales.
 - v. Phasing out the SFP on top of further trade liberalisation has a significant negative impact on Welsh sheepmeat production.

29. The FAPRI report concludes that:

“Reductions in cattle and sheep numbers may have a positive or adverse impact on biodiversity depending on existing grazing levels. Moreover, it is likely that the impact would be spatially uneven, with more marginal producers in upland areas experiencing greater contractions in output. As a result, undergrazing is likely to be more problematic in the uplands.”

“Reductions in livestock numbers will not only hasten the decline in agricultural employment but also employment within the wider rural economy. Agricultural employment supports both upstream (e.g. feed companies and machinery suppliers) and downstream employment (e.g. abattoirs and food suppliers) (Institute for European Environmental Policy et al., 2004).

“Furthermore, farmers play an active social role within local communities through participating on school boards, running local activities etc. Reducing the viability of farming may undermine the positive contribution played by farmers within local communities.

“Any decline in numbers engaged in agriculture may also have a direct impact on migration out of the remoter areas, hence undermining the viability of the rural population in these areas.”

“The proposed ‘Vision’ reforms also have important implications on price volatility. Export subsidies and import tariffs have protected the EU market from the consequences of world price volatility. Following extensive trade liberalisation, it is projected that EU commodity prices are more closely linked to world prices. As a result, EU producers and processors will tend to face more uncertainty due to increased volatility as a result of external shocks, such as those due to poor weather conditions. Increased uncertainty has a negative impact on efficient production in the agricultural sectors through discouraging investment and threatening the long-term survival of producers.”

30. The report concludes that “...should the ‘Vision’ proposal be implemented the consequences for the Welsh beef and sheep sectors, in particular, would be dramatic.

Conclusions

31. The figures provided above demonstrate that Wales's economy, particularly in rural areas, is significantly reliant on the agricultural industry, which is in turn reliant on payments made to farm businesses under the CAP.
32. The research undertaken by FAPRI demonstrates that proposals to reform the CAP in the manner currently proposed by UK Government would be devastating for Wales's agriculture and rural economy, and would significantly undermine food production in Wales.
33. In the absence of counter-mechanisms, a movement to a flat-rate CAP payment per hectare model would result in significant disruption for Welsh agriculture.

FUW RESPONSE TO SPECIFIC CONSULTATION QUESTIONS POSED BY THE COMMITTEE

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

34. Given current scientific opinion regarding population growth and global warming, mitigating climate change without compromising food security is one of the most significant long term challenges facing mankind.
35. In order to address this challenge, joined up policies between Governments are required, and the CAP post 2013 has the potential to provide a coherent policy framework which allows Europe to react to the imminent challenges that growing populations, global warming, rising sea levels, and peak oil represent in terms of food security.
36. The FUW therefore believes that the Welsh Government's priorities during its negotiations on CAP reform should be to:
 - i. Oppose current UK Government policy, which FAPRI has shown would have a catastrophic impact on Wales's rural communities and economy.
 - ii. Support the CAP and its core objectives, with a particular emphasis on ensuring the availability of agricultural produce to EU citizens and a fair standard of living for the agricultural community, as described under Article 39 of the Treaty of Rome.
 - iii. Ensure that direct Pillar 1 payments continue to make up the bulk of CAP support for agriculture
 - iv. Oppose any moves to liberalise international trade in a manner which would adversely affect Welsh agriculture and UK food security
 - v. Recognise the central importance of the CAP as a mechanism by which the major environmental and food production challenges of our age can be addressed, and support the provision of a CAP budget that properly reflects this importance
 - vi. Ensure that any changes in the balance of funding between new and old Member States does not impact on agriculture in Wales and that, where necessary, the CAP budget reflect this

- vii. Press the European Union for a compulsory pan-European scheme to help and encourage young entrants into the industry
- viii. Support a compulsory Less Favoured Area scheme which requires Member States to properly recognise both socio-economic and environmental handicaps faced by farmers in many areas
- ix. Advocate a revision of CAP Regulations which ensures all penalties are proportionate, and that administrative errors are properly recognised
- x. Support a policy which proactively supports family farms, recognising their central role in protecting our natural environment and rural communities
- xi. Recognise the importance of Milk Quotas as a mechanism which supports milk production within the UK and by which supply can be properly controlled and monitored
- xii. Reject the calls to renationalise agricultural spending within the EU in order to ensure a genuine *common* policy across Europe
- xiii. Support uniform rates of modulation across the European Union
- xiv. Ensure that market instruments are available in order to manage market volatility
- xv. Argue for a fairer share for Wales of European Rural Development Monies.
- xvi. Argue for a flexible approach to flat-rate Single Payments that favours Welsh family farms and recognises land grades in order to minimise disruption for the industry.

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

- 37. In the absence of mechanisms which ensure fair returns for farmers from the marketplace, Welsh agriculture and food production is reliant on Pillar 1 payments. Thus, the modulation of Pillar 1 payments to fund non-agricultural Pillar 2 activities can reduce the viability of farm businesses and agricultural production.
- 38. Funds available for Pillar 2 activities from the European Agricultural Fund for Rural Development (EAFRD) are based upon historical claims made by the UK, and the previous failure of the UK to draw down such funds has resulted in Wales receiving an inadequate and disproportionately low EAFRD allocation.
- 39. Wales has therefore had to supplement Pillar 2 budgets by implementing Voluntary Modulation, in addition to the Compulsory Modulation which applies in all Member States. This means that Welsh Single Payments in 2010, 2011, and 2012 will be reduced by 2.8%, 2.5% and 1.5% more than in other regions of Europe via Compulsory Modulation.
- 40. The FUW believes that this difference disadvantages Welsh farmers and therefore undermines the principles of a common European agricultural policy.
- 41. Under new measures introduced following the CAP Health Check in 2008, all funds generated through Compulsory Modulation over and above 5% must be directed towards 'new challenges', namely climate change, renewable energy, management of water, biodiversity.

42. The FUW recognises the importance of these new challenges, and therefore agrees that funding should be made available to address these. However, the Union does not believe that such funding should be provided by modulating Pillar 1 payments, as this undermines the viability of farm businesses, and threatens agricultural production and food security.
43. The FUW therefore believes that:
 - i. The nature and gravity of these challenges, coupled with the importance of maintaining food security, warrant the provision of additional CAP funding
 - ii. Compulsory Modulation rates should be reduced in line with the provision of such extra funding
 - iii. Parity between Member States should be ensured by abolishing the right of Member States to reduce direct Pillar 1 payments through Voluntary Modulation

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

44. The scientific consensus is that decisive action is needed to balance food production against environmental considerations, and mitigating climate change without compromising food security is one of the most significant long term challenges facing mankind.
45. Such action requires joined up policies between Governments, and the CAP, by design, provides a framework for just such cooperation, allowing Europe to react to the imminent challenges that growing populations, global warming, rising sea levels, and peak oil represent in terms of food security.
46. The FUW therefore believes that the central objectives of the CAP, as laid down in Article 39 of the Treaty of Rome, should be retained; namely to ensure the availability of agricultural produce to EU citizens and a fair standard of living for the agricultural community. However, a reformed CAP should also incorporate the 'new challenges' identified during the Health Check negotiations, namely climate change, renewable energy, management of water, and biodiversity.
47. In order to address these challenges, the CAP should be appropriately funded, since failure to provide adequate funding will undermine the ability of a reformed and expanded common policy to address all these challenges.
48. Notwithstanding the above, the FUW believes that any reduction in Pillar 1 payments must be balanced by the introduction of market measures which ensure farmers receive fair returns for their produce in order to ensure that food production is maintained.
49. The figures produced by FAPRI¹¹ (paragraphs 25-30) demonstrate the potential threat of trade liberalisation on EU food security and rural communities. The FUW therefore believes that a central objective of the CAP should be to resist any form of trade liberalisation which would contravene Article 39 of the Treaty of Rome.

To what extent should the CAP be a community policy? Is some renationalisation desirable?

50. In the absence of Regulations that require all Member States to provide the same level of support for farm businesses, renationalisation would undermine the core principles of a *common* European agricultural policy, and would lead to significant differences between Member States in terms of agricultural support. This, in turn, would severely distort commodity markets in a way that contravenes the principles of the common market.
51. Specifically, it is believed that renationalisation would result in countries that are supportive of agriculture, such as France, providing high levels of support for farm businesses compared with countries such as the UK. Moreover, in the absence of a modification of the Barnett formula, the Welsh administration would be unlikely to be in a position to match levels of support provided in other regions of the EU, even if it wished to do so.
52. Renationalisation would therefore lead to a fall in UK food security, and is likely to have an impact which is analogous to those reported by FAPRI¹¹.

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

53. The Welsh Government's farming strategy, *Farming Food and Countryside*, based on the presumption that CAP payments will diminish, that funding will increasingly move away from direct payments towards Pillar 2, and that trade liberalisation will occur.
54. While such an assumption is understandable, the document very much represents a reaction to presumed future CAP policies, rather than being aimed at proactively influencing the CAP in a manner which benefits Wales.
55. Thus, while the FFW supports much of what is contained within the *Farming, Food, and Countryside* strategy, it is believed that the research published by FAPRI¹¹ highlights a need for the Welsh Assembly Government to establish a clear policy position in relation to reform of the CAP.

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

56. In December 2008, the Welsh Assembly Government established the *Common Agricultural Policy External Stakeholders Group*, whose remit was:
 - i. To determine how planned and proposed changes to the CAP can be shaped to accommodate the best interests of the industry and community in Wales.
 - ii. To assist and advise on:
 - a. Impact analysis of proposals and options for CAP changes
 - b. Preparation of public consultation documents
 - c. Analysis of responses to consultation
 - d. Communicating change to the industry
 - iii. To advise and make recommendations on CAP simplification

- iv. To seek to build on the Commission’s proposals for CAP and how they are related to the direction expressed in the One Wales document and FFC
 - v. To consider CAP Reform in the European and Global policy context including the EU Budget Review and WTO developments, and to advise on future options.
57. The FUW welcomed the establishment of the group as an important and positive move, and contributed significantly to the discussions held by the group, not least by undertaking computer modelling in order to analyse a range of post 2013 Single Payment scenarios, the results of which were published in July 2009 in a document entitled “*An Analysis of the Welsh Single Payment Regime and the Impact of Possible Flat-Rate Single Payment Models*”⁷.
58. The FUW therefore finds it extremely concerning that the last meeting of the Group was held in June 2009, and that the Group has since been disbanded. This view has been made clear to the Welsh Assembly Government.
59. The position in Wales stands in stark contrast to that in Scotland, where an independent committee, chaired by eminent agriculturalist Brian Pack OBE, has been established to undertake an inquiry into the future of agricultural support in Scotland.
60. The specific remit of the Brian Pack Inquiry¹² is to examine and provide recommendations on:
- i. How the Single Payment in Scotland might be best distributed in future, for example between regions of Scotland and/or land types
 - ii. The conditions to be attached to Pillar 1 payments in the future to secure public benefits commensurate with those payments, and the relationship with the Less Favoured Area Support Scheme
 - iii. The link between payment levels and farming activity
 - iv. The situation of agricultural holdings currently outside the Single Payment system, and new entrants to farming
 - v. How to address the risk of a smaller Single Payment budget for Scotland after 2013, taking into account the generally-held expectation of severe pressure on that part of the EU budget
 - vi. The future balance between Pillar 1 and Pillar 2 of the CAP in Scotland, including the role of support for transformational change to agricultural businesses, for collaboration, and for engagement between businesses in the different stages of the production chain
 - vii. Scottish priorities in future negotiations with the United Kingdom authorities and at the EU level
61. The Brian Pack Inquiry began in June 2009, and has involved gathering evidence from a wide variety of sources, including key stakeholders, Scottish and EU officials, and the

¹² <http://www.scotland.gov.uk/Topics/farmingrural/Agriculture/inquiry>

general public. The committee published its interim report in January 2010, and a final report is expected to be published in April 2010.

62. While the similarities between Welsh and Scottish agriculture make it possible to glean much useful information from the Pack Inquiry, significant differences also exist, and there is therefore a need for parallel action by the Welsh Assembly Government to investigate what Welsh priorities should be in terms of CAP reform, and the implications of current proposals.
63. As a first step towards undertaking such work, the FUW believes that the CAP Stakeholders Group should be re-established, or a new Group with the same remit established.