

NORTHERN FARMERS AND LANDOWNERS GROUP

POST CAP

PRINCIPLES FOR AGRICULTURAL SUPPORT

FOR THE NORTH EAST

DRAFT V3

1.0 INTRODUCTION

Following the referendum result in June, the rural economy is facing a period of great uncertainty due to the potential loss of Common Agricultural Policy funding, along with other EU structure funds. In the run up to the referendum, those campaigning for BREXIT (including the new Secretary of State at Defra) were keen to state that support levels for agriculture would remain unchanged if the UK voted to leave the EU. Since the referendum and the creation of the new Government, there followed a long period of silence on this subject, partially broken by the Chancellor in mid August.

The position has been made worse by the continued poor performance of the RPA and the freezing of some funding streams (ie LEADER & Countryside Stewardship) leaving new applicants in limbo and existing participants fearing the worst.

If the UK does actually leave the EU (I am not yet completely convinced.....), it will take some time to finalise post the signing of Article 50, probably at least the full 2 years allowed. It seems likely that Article 50 could well not be signed until April 2017, so planning an exit at year end 2018/19 and before the EU parliamentary elections of May 2019.

This process is likely to occupy the minds of the entire Civil Service, leaving little capacity to formulate, let alone implement, continuation policies for the support of the rural economy. The first step must be the setting of the Government's high level objectives, presumably covering multi-faceted land management.

Various bodies, including most recently the National Trust and the CPRE, have put forward proposals for a new agricultural support policy. This paper does not seek to take such an approach as there are currently no real clues as to how Defra is thinking so there is no indication of how such policies may pan out in the North East. Rather, it seeks to set out some basic principles for future support to try and ensure that the rural economy of the North East is not disadvantaged by London-centric thinking.

Past utterances by the main political parties and by most of the main players now holding the levers of power, suggest that there could be a move away from an area based system (ie Pillar 1 SFP/BPS type support), and more towards the delivery of public goods with perhaps a safety net system to ensure industry viability. This may not be so appealing in a period of low commodity prices and such a system may contain such complexities that a transitional period would be required. However, this is all speculation.

What is not speculation is the deliberate divorce within Defra between policy and delivery. This may have been sensible when agricultural policy was fabrique en France, but it looks far from ideal when a UK policy is required. There is no mechanism for policy input from the regions, with Defra only being represented outside London via agencies. This, coupled with the lack of experience of policy formulation within Defra, leaves a vacuum. Who fills it presents a threat as well as an opportunity.

This is a 3rd draft document which has been discussed by the NFLG Committee, prior to going to the Membership. Please email all comments to aecc@nrpg.co.uk A final paper will be publicised and circulated to our regional MPs.

2.0 IMMEDIATE POLICY ACTION

Since the first draft of this document was produced, the Government has announced the continuation of BPS payments through to 2020, when the current CAP round ends. If we leave the EU before then, there could be an interim scheme based along the lines of the current BPS, with any new policy scheme beginning in 2020/21.

This is most welcome news, but it does not go far enough in regard to other EU funding schemes. Other schemes are only guaranteed if they are signed/agreed/approved by the time of the Autumn Statement, which normally takes place at the end of November. The wording is vague and very unhelpful for the likes of CS applicants, where the schemes are not normally signed until at least December, to begin on 1st January. An approach to include all those in the application process would be rather more helpful.

Multi-year agreements (ie CS) should also be guaranteed through to 2020 at least. There is a sound justification for them to be continued beyond this date due to the capacity problems of creating new schemes for all in Year 1. However, a move to a support package focused on delivering public goods may make agri-env schemes, as we know them, redundant.

In the meantime, the agricultural industry needs to make the case for continued support. Given that the spotlight will now fall on agricultural spending in Westminster, the case needs to be made with the general public. This has not been necessary for over two generations. This represents a considerable challenge for the industry. Is there a role for NFLG?

I would suggest that making the case for “agriculture” or “farming” may not be productive given that agriculture is statistically barely relevant in terms of GDP and employment. “Farming and food”, as tends to be used by the Conservatives may be rather better as it links the industry to the consumers as well as the largest sector of the manufacturing industry.

While the agricultural industry may not be practised at engaging the general public, the green NGOs are, as that constitutes their membership. The likes of the RSPB and the NT seem to be leading the way. Should we try to beat them or join them? An unholy alliance could be the best way forward in this new world, but how will this go down with the grass roots farmers?

3.0 FUTURE SUPPORT POLICY PRINCIPLES

3.1 Keep it simple

CAP has often correctly been criticised for being far too complex to participate in and to administer. Creating a support system which the administrators are unable to administer seems to be a recurring theme of CAP.

The post CAP support system creates a real opportunity for Defra to create a system that is as simple to administer as it is to participate in, and that only penalises those who flout the rules rather than those who cant manage the complexities. Such a system would result in considerable administrative cost savings and efficiencies for North East farmers.

3.2 Better Regulation

It is tempting to expect less regulation, but all such previous hopes have ended in disappointment as regulation, however irritating, is invariably created with good intentions. However, following on from the above, any new support scheme must present an opportunity to streamline the regulatory burden attached to the support scheme. Furthermore, there will be considerable opportunity across the sector for the implementation of better regulation.

Why do sheep need to be ear tagged if they never leave the holding of birth? Is the overly complex Water Framework Directive really the best way of improving water quality? Are bats best protected by developers having to undertake bat surveys prior to submitting a planning application? Why can recovery drivers work as long as they like within a 100km radius but are restricted beyond that? I am sure that we can all think of plenty of EU regulation where there seems to be room for improvement.

The North East rural economy (and environment) could gain considerable benefit from improved regulation post EU, but implementation must not conflict cross border with Scotland nor have a negative impact on EU trade in agricultural produce ie lamb.

3.3 Revert to a tailored agri –environment approach

The UK was ahead of the game with the creation and development of agri-environmental schemes, so it was disappointing that the lessons learnt seemed to count for nothing as the EU implemented a more EU wide approach in the last round of CAP. The current round of Countryside Stewardship seems to be a step backwards.

The agri-environmental element of CAP has been embraced by North East farmers, with over 80% of the available land once being managed under a scheme. Post CAP presents a real opportunity to implement a new agri-environment programme, utilising past experience, tailored to meet the needs of the North East. This means that there must be a significant focus on the uplands.

If this approach is to reach its full potential, it must move away from payments being based purely on income foregone, and include, where appropriate and possible, an element of paying according to the value of the outputs delivered. For example, flood mitigation measures are unlikely to be achieved purely on an income foregone basis.

3.4 Retain “Dual Use”

“Dual Use”, whereby different people can claim Pillar 1 and Pillar 2 payments on the same land, has been a successful element of recent CAP programmes, despite some parts of the UK believing it to contravene EU regulations. It is particularly relevant to the North East due to the landownership structure, the various farming structures employed and the focus on environmental land management, particularly in the uplands.

Should a two pronged system be implemented post EU, then it is vital for the North East that Dual Use remains an option. The long term approach to landscape and large-scale habitat management is not suitable for delivery by short – medium term tenancy arrangements.

3.5 No place for “Sizism”

The North East is known for its relatively large farms due to its topography and history. The average farm size in England is thought to be about 90ha, while in the North East, the average is 130ha. Therefore, any move to limit support per holding will have a greater impact in the North East than elsewhere. There is a current thought trend that “small is good and big is bad”. This must be countered.

There may well be a political temptation to limit “subsidy” payments to farmers who are often portrayed as wealthy individuals (Barley Barons, Tweedy Toffs etc etc). If the support was paid as “money for nothing” this argument may have some merit. If, as seems likely, it is linked to the delivery of public goods, there is no logic to the argument. Furthermore, if UK agriculture is to be sustainable in the long term, it must be able to utilise all efficiencies, including the economies of scale.

Limiting agricultural support per holding would likely be detrimental to agriculture in the North East and should not occur.

3.6 Ensure that support remains fixed to the land.

Any “entitlements” to support must remain fixed to land and not be able to be divorced from the land and traded like an investment bond or capital asset. The lessons of milk quotas must be remembered and land not be blighted through losing its support system.

3.7 “Rural Economy” should mean “Rural Economy”

It would be hoped that there would be some form of socio-economic funding for the rural economy to replace some of the CAP Pillar 2 funding streams. Too much of the current funding is either bogged down in incredibly complex administration and/or diverted to projects located in what most people would consider to be urban environments.

The real rural economy of the North East needs to be able to benefit from future socio-economic funding through the funding of rural economic infrastructure (ie rural business space, broadband & mobile technology) and funding support for small businesses. No longer can the fear of EU Auditors be used as an excuse to take an overly costly approach to administration, so excluding many private sector rural projects.

3.8 Dedicated support for Forestry

Forestry is an important industry sector in the rural North East but it has been poorly supported in recent years. The integration of forestry support into the CAP structure has been a huge step backwards for the English forestry industry. This culminated in the frankly pathetic new planting total area of 80ha approved and planted 2015/16 (target 2000ha!!) The current system is not fit for purpose, with the administration requirements out of proportion to the support available.

Furthermore, the once highly respected network of Private Woodland Officers has been reduced to the ranks of EU paper pushers, while the Forestry Commission appears to be a strange anomaly in this age of devolved powers. On the plus side, the sector has retained industry representation at national scale via the Applicants Focus Group and regionally via the network of Forestry and Woodlands Advisory Committees.

Forestry support should be separated out from any agricultural support schemes, with the only overlap occurring where agricultural land is to be converted to woodland, as once occurred under the FWPS. Commercial forestry should be given due consideration where appropriate, such as in the North East. Replanting grants should be re-introduced for commercial forestry with the emphasis on encouraging the replanting of productive species.

3.9 Stakeholder Engagement

As stated earlier in this paper, the current divorce between policy and delivery no longer looks ideal with the policy division being located in London, with no intelligence networks in the regions. The old structure of “stakeholder engagement” has largely been dismantled. What is left feels largely ignored.

If Defra is to successfully formulate and deliver an effective post-Brexit rural policy for England, it is essential that it re-establishes ground-level links throughout the regions.

Given its distance from London and its geographic uniqueness, this is essential for the North East if the region is to be properly considered during the policy process.

3.10 Political Change

One of the strengths of the CAP is that it has operated in cycles of 7+ years, which provides some certainty in what is a long term industry. These support cycles have, until now, been beyond the reach of Westminster politicians.

Once agricultural policy is repatriated, there is a real risk that it will become subject to the Westminster 3 year spending cycle, which will provide little security for farmers facing significant investment decisions.

In order to provide as much certainty as possible to a capital intensive industry with long planning horizons, there must be a commitment to fund a support programme for at least the length of a parliamentary term.

3.11 Compatible with inter EU trade

The North East is a major sheep farming region. Sheep being particularly important in the uplands. Therefore, it is essential for the region that the international trade in sheep and sheep meat is not jeopardised by ill-thought out schemes, regulations or horse-traded in favour of another industry.

3.12 In line with Scottish support

Much of the North East rural economy is intertwined with that of Scotland. There is a long tradition of cross-border agricultural trade, be it tupps at Kelso, bulls at Perth, malting barley to Berwick, store cattle to Aberdeen or store lambs from the Highlands. In addition, there are those farmers who operate both sides of the fence.

As agriculture is a devolved matter, there is a danger that policies will be formulated in Westminster and Edinburgh with no consideration as to how they will interact for those along the Border.

So that those operating across or close to the Border are not disadvantaged, there needs to be close co-operation between English & Scottish policy makers to ensure compatibility.