

Nobel House
17 Smith Square
London SW1P 3JR

Telephone 08459 335577
Email helpline@defra.gsi.gov.uk
Website www.defra.gov.uk



Elizabeth Truss MP
House of Commons
London
SW1A 0AA

Our ref: MC259618/RW

27 February 2012

From Rt Hon Jim Paice MP
Minister of State for Agriculture and Food

Thank you for your letter of 23 January to the Secretary of State raising a number of issues that were discussed by your constituents at your recent Farming Forum at the Jolly Brewers, Shouldham Thorpe. I am replying as the Minister responsible for food and farming issues and shall respond to each of the issues in turn.

The considerable constraints on public spending across the EU, as well as at home, mean the Government has a responsibility to improve the way EU and UK taxpayers' money is spent. We want the EU budget to be smaller, so that our domestic efforts to cut the deficit are not undermined by growth in EU spending. At over 40% of the EU Budget, CAP cannot be immune to the hard choices being made elsewhere. As we face increasing financial pressures, we will need to ensure that EU spending on agriculture focuses on the right areas.

The Government is committed to reducing the sector's reliance on subsidy. We need to make much more rapid progress towards a genuinely competitive and successful industry that is able to stand on its own feet, and does not therefore rely on income support from the EU but is genuinely rewarded by the market for the produce it grows, with taxpayers' funding limited to paying for public goods, including environmental benefits that the market place cannot provide.

We have been disappointed at the lack of ambition the EU has shown on CAP proposals which, we believe, will not help the EU agriculture sector to prepare for long-term challenges and opportunities ahead, including meeting the need for additional food security in the face of a growing world population. We also share your constituents' serious concerns that many of the proposals in their current form would significantly increase complexity making implementation more difficult and placing an unwelcome additional administrative burden on Paying Agencies and farmers alike.

Although we share the ambition for a greener CAP, we are cautious of proposals to achieve this through Pillar 1, and remain to be convinced that the Commission's proposals will deliver increased levels of environmental benefits which we feel are most effectively delivered by longer term, targeted interventions, currently achieved through Pillar 2 agri-environment schemes. The Commission's current 'Greening' proposals contain a number of points that require further clarification and we are working hard to seek this. As part of our approach we are also considering alternative approaches to greening that may provide meaningful additional environmental benefits – widening the scope to include consideration of water, waste and energy is something that we may consider proposing.

However, we believe that Pillar 2 should take a greater share of a smaller CAP budget in order to deliver environmental objectives. We are committed to an increasing focus on actions under Pillar 2 providing public goods that the market cannot deliver, with agri-environment schemes continuing to be a particular priority for the UK. We are also committed to ensuring that the transition to the next programme will maximise continuity for farmers and land managers and will support continued uptake and delivery of our agri-environment schemes.

We will do everything we possibly can to make sure farmers aren't disadvantaged because of having been ahead of the game on environmental management. We have discussed our concerns in detail with Commissioner Ciolos, and it seems he is listening. We have been encouraged by his willingness to explore how we can ensure British farmers' contributions through agri-environment schemes can count towards greening and so avoid the need to take an additional seven per cent of land out of production.

We are working hard with the Commission and other Member States to secure practical, effective, and simple provisions for farmers to ensure the proposals deliver additional environmental benefits without undermining the progress already made in the UK. We strongly believe that Environmental Stewardship is the best way to get better environmental protection from the CAP, but if changes do have to be made, we will ensure that, at the very least, farmers would be able to opt out of existing agreements.

The EU Commissioner Ciolos' proposal of capping the amount that individual farm businesses can receive does not fit with the UK's ambition of a competitive and thriving agricultural sector in the EU. To reduce the amount of direct payments to farms based solely on their size would undermine our competitiveness agenda, increase regulatory burden and add unnecessary costs for farmers and administrations. International experience shows that introducing such caps may also lead to an artificial splitting of larger farms and, as you point out, smaller farming units would still be entitled to claim their maximum amount.

To meet the future demand for water, several water companies proposed in their water resources management plans, the construction of new reservoirs or the expansion of existing ones. Essex and Suffolk Water have obtained planning permission to extend the existing Abberton Reservoir, in Colchester, Essex.

Water is a privatised industry and so the costs of developing new water supply resources would need to be financed through customers' bills. It is for the water company to justify any proposals for new water supply resources on grounds of need and to provide an assessment of the costs, benefits, environmental and social impacts, as compared to other options for meeting the demand. New resources should be developed only where the scope for managing demand is clearly insufficient or unjustified in terms of cost.

Development of a full national grid for water similar to those for other utilities would have to surmount a number of major environmental concerns due to widespread excavations and it would involve expensive, energy-consuming pumping to move the water around the grid.

A good deal of water is already transferred within water companies' areas of operation to give individual companies greater flexibility to meet local shortages. Longer distance links have long been established between, for example, Wales and the West Midlands and South East Lancashire, the Lake District and Lancashire, and from the Fenland watercourses to Essex.

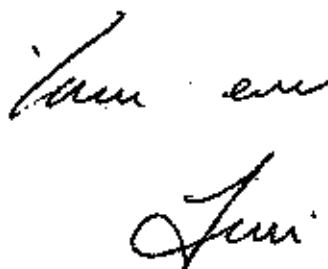
Additionally, the Environment Agency, in consultation with Ofwat, is able to propose to a water company that it enters into a bulk supply agreement with another water company, where it is necessary to secure the proper use of water resources.

Your constituents may be interested in Defra's recently published Water White Paper, Water for Life which outlines our view on water transfers between water companies. The Paper also announced the Government's intention to reform the abstraction licensing regime over the longer-term. The new regime will be designed to support adaptation to climate change by abstractors, including farmers. The White Paper can be found online at: <http://www.defra.gov.uk/environment/quality/water/legislation/whitepaper/>.

In principle, the Government agrees that Producer Organisations can help to boost competitiveness by enabling growers to increase efficiency, improve production techniques and exert greater influence in the market place, all within the context of environmental sustainability. The EU Commission is proposing to widen the use of the PO model to all sectors, but we are concerned that there need to be clear and simple objectives and eligibility criteria to avoid creating heavy administrative burdens for industry and Member States.

We support the measure for the establishment of producer groups in the Rural Development Regulation. These are important vehicles for cooperative innovation. We would like to see their aims and objectives more closely aligned with those of producer organisations to encourage them to develop in a structured and consistent way.

As regards agricultural biotechnology, the Government recognises that it could help to make production more efficient and sustainable, and we are arguing for the EU approval regime for GM crops to operate effectively, so that it does not deter potentially worthwhile developments. On the question of farmers having the skills to embrace new technology, I would point to the work being done by the industry-led Agri-Skills Forum. It is encouraging knowledge transfer and sharing to spread new ideas, and promoting skills and continued professional development as a way of increasing innovation in the sector. Further details are at: <http://www.agriskillsforum.co.uk/>.



RT HON JIM PAICE MP

