



HM Government

Review of the Balance of Competences between the United Kingdom and the European Union Agriculture

Review of the Balance of Competences between the United Kingdom and the European Union

Agriculture

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Executive Summary

This report examines the balance of competences between the European Union (EU) and the United Kingdom in the area of agriculture. It is a reflection and analysis of the evidence submitted by experts, non-governmental organisations, businesspeople, Members of Parliament and other interested parties, either in writing or orally, as well as a literature review of relevant material. Where appropriate, the report sets out the current position agreed within the Coalition Government for handling this policy area in the EU. It does not predetermine or prejudge proposals that either Coalition party may make in the future for changes to the EU or about the appropriate balance of competences.

The debate on EU competence for agriculture as set out in the evidence submitted was strongly supportive of EU competence in relation to the Single Market for agricultural goods and to the EU's role in negotiating global trade deals for agricultural goods. In relation to the Common Agricultural Policy (CAP), there was a recognition that it had changed significantly from its post-war origins, particularly over the past 30 years. The most damaging and trade-distorting elements had been removed and the UK had played a significant role in driving reform.

However, respondents put forward evidence that, notwithstanding the reforms, the CAP's objectives remained unclear and that the criteria for allocation of funding were irrational and disconnected from what the policy should be aiming to achieve. The majority of respondents argued that the CAP remains misdirected, cumbersome, costly and bureaucratic. Environmental organisations advanced detailed evidence about how historically, market intervention and direct payments had led to negative impacts on biodiversity and the farmed environment. The advent of agri-environment schemes had been beneficial across Europe and provided a regime for conservation that might not otherwise exist.

While some overarching trends in the evidence did emerge, in general the views within sectors varied quite considerably, reflecting the diversity of interests. There were however a few defined areas where a strong consensus amongst a group of stakeholders emerged, like the opposition by amateur gardeners to aspects of the European Commission's proposals for regulation of plant reproductive materials.

Changes to the CAP are being implemented from 2014. The Government continues to seek reform to reflect the UK's and EU's changing priorities, particularly as we address major challenges around the economy, food security, climate change and global trade.

The report is divided into three chapters.

Chapter One

The opening chapter is a factual description of the legal provisions governing EU competence for agriculture. It sets out the origins, development and scope of EU competence for agriculture. Current powers and objectives in relation to agriculture do not differ greatly from those in the Treaty of Rome establishing the European Economic Community (EEC). However, the substance of the policy created using those powers has changed significantly.

The chapter also briefly describes the changes to the CAP which were agreed in 2013. It describes the recently proposed major changes to the rules governing plant health and plant reproductive material.

Chapter Two

This chapter summarises and considers the evidence received on the impact of EU competence on the UK's national interest. It is divided into three main sections.

Section 2.1: EU Competence for Agriculture and its Impact on the UK

The majority of respondents identified the EU as a key market for UK farmers, growers and food producers and argued that access to the Single Market was of significant benefit for the UK economy. There was also widespread support among respondents for common EU standards across the EU's agriculture policies.

Respondents provided evidence about the cost of the CAP and the impact on taxpayers, consumers and the environment. Despite recent reforms, some argued that it remained a hugely bureaucratic and costly policy. A small number of think tanks and political organisations argued that the UK should replace the CAP with a domestic support regime. However, many respondents, particularly from Scotland, Wales and Northern Ireland, felt that the role of subsidy payments in supporting farmers' incomes remained of significant importance.

The impact on consumers of EU policy for the agricultural Single Market and for trade was discussed. Benefits identified included greater choice and availability of food for consumers, supported by common EU standards in areas like animal welfare and environmental protection. The main disadvantage cited was the increase in the cost of food.

Whether or not the CAP helped farmers and growers to be responsive to market forces, or rather insulated them from market stimulus drew comment. Respondents acknowledged that de-coupling payments from production had done a lot to improve the CAP in this regard. However, evidence was put forward that decoupled payments continued to subsidise inefficient farming activity in a large number of cases and undermined attempts to increase the productivity of the EU agriculture sector.

Respondents questioned whether the CAP delivered value for money. A large majority argued that direct payments do not do this because they are not linked to the delivery of public goods like conservation and environmental protection. There was support for the environmental benefits from agri-environment schemes and evidence that such schemes are under-funded across Europe, and so unable to deliver the scale of conservation and enhancement that is needed.

Section 2.2: Should Action be Taken at International, EU or National Level?

In the main, respondents thought that EU-level action was appropriate for agriculture. They cited the benefits which the UK gets from harmonised Single Market rules, a broadly level playing field and avoidance of subsidy competition, from the EU having power as a global trading bloc, and the EU's role in helping to manage the risks to animal and plant health from the spread of disease.

A large amount of evidence was submitted about the role of the EU in international negotiations and agreements and the associated benefits and disadvantages for the UK. Most respondents on this topic set out the economic benefits of the trade deals which the EU had negotiated on behalf of Member States. Respondents commented on the strength and influence of the EU as a trading bloc of 28 Member States in forums such as the World Trade Organisation (WTO) and said that the UK would have much less influence as an individual Member State.

There was general agreement that EU competence for international trade in plants and plant reproductive materials was appropriate and beneficial. As plant breeding and seeds were global industries and plant reproductive materials moved around the world constantly, harmonised EU legislation was seen by most who responded on this point as essential for free movement with no barriers to trade. However, concerns were raised about EU biosecurity being only as robust as the weakest link in the chain.

A minority of respondents put forward arguments that elements of rural development expenditure should be a matter of national competence and that policy objectives for the environment and rural growth could be better served at the national level. This was offset against the arguments for EU level action to deal with transboundary issues.

Forestry is an area of Member State competence and there is no explicit provision in the Treaties for EU level competence. Nonetheless, the forestry sector is affected by a range of areas of EU policy, such as rural development, tree health and illegal logging. The general trend in evidence was towards maintaining Member State competence for forestry while seeking more coherence in how forestry interacted with other areas of EU policy.

Section 2.3: Does the Existing Way of Making and Implementing EU Policy Work?

Respondents submitted evidence about how effectively the EU institutions work together and with national authorities to develop, agree and implement policy. Respondents questioned how the EU and its institutions operated, citing issues such as the slow pace of decision-making and implementation, the risk that political agreement could be rewritten through drafting of secondary legislation, and policy incoherence across the Commission.

Many respondents reflected on their experience of the implementation of EU legislation. Respondents who commented on the greening of direct payments under Pillar One agreed that this was a poorly designed policy instrument that took insufficient account of the situation of farmers and growers in the different Member States.

There was a large amount of evidence on the advantages and disadvantages for Member States in having flexibility to implement EU legislation. Respondents highlighted the need for sufficient recognition of local and regional circumstances on the basis that one size does not fit all but also emphasised the desirability of maintaining a level playing field. This is a common tension identified in many Balance of Competences reports.

Respondents were also interested in how the EU regulates the impact of farming on the environment and how this impacts on the UK national interest. Two key areas were plant protection products including pesticides and regulation of genetically modified organisms (GMOs).

We received over 140 submissions from amateur gardeners, growers and allotment holders which focused primarily on the Commission's proposals for reform of EU directives governing the marketing of plant reproductive material. Respondents argued that the proposals were disproportionate in relation to the use of seeds by non-commercial growers.

Chapter Three

This chapter is divided into two sections. The first summarises respondents' views about the most important future challenges and opportunities linked to agriculture, plants and forestry. The second summarises the evidence submitted on alternative approaches to the balance and exercise of competence in these areas.

The greatest future policy challenges and opportunities which respondents identified for agriculture were food security, environmental sustainability, climate change, global trade and innovation, research and development.

Some respondents submitted more detailed analyses about potential alternatives to the current CAP. This section summarises these views, including discussion of how to reform the CAP within the current system. It also summarises other options put forward, such as entering into a new arrangement based on membership of the European Economic Area, or non-participation in the CAP.

Some respondents explored the counter-factual question of what would happen in the UK if the EU did not have competence for agriculture or if the UK opted out of the CAP. It was clearly impossible to be certain about this, but there was a commonly held view that any UK Government would in all likelihood support its agricultural industry financially but at a reduced level compared to the current CAP. Another frequently expressed view was that if the UK were not part of the EU, then Single Market regulations which would affect the UK would be created by the EU without UK influence.

Introduction

The Department for Environment, Food and Rural Affairs (Defra) has led this report into agriculture, plant health and plant reproductive materials, forestry and international trade in agricultural goods.

Terms of Reference

This report is one of 32 reports being produced as part of the Review of the Balance of Competences. The Foreign Secretary launched the Review in Parliament on 12 July 2012, taking forward the Coalition commitment to examine the balance of competences between the UK and the European Union (EU). It will provide an analysis of what the UK's membership of the EU means for the UK national interest. It aims to deepen public and parliamentary understanding of the nature of our EU membership and to provide a constructive and serious contribution to the national and wider European debate about modernising, reforming and improving the EU in the face of collective challenges. It has not been tasked with producing specific recommendations or looking at alternative models for Britain's overall relationship with the EU.

The Review is broken down into a series of reports on specific areas of EU competence, spread over four semesters between 2012 and 2014.

Scope

This report focuses on EU competence in relation to agriculture and how it is exercised in practice. This is a complex area which covers a wide range of issues, most of which are interlinked and are subject to EU competence. It has close links with areas which are covered in other Balance of Competences reports:

The Animal Health and Welfare and Food Safety Report (published July 2013) examined the health and welfare of farmed animals, food safety, food labelling and food quality and compositional standards, including genetically modified food. There was also discussion of the impact of animal health controls on international trade in animals and animal products.

The Environment and Climate Change Report (published February 2014) covered the impact of agriculture on the environment, including diffuse pollution of water, emissions of greenhouse gases, pesticides, habitats and biodiversity and the environmental safety of genetically modified organisms (GMOs).

The Single Market: Free Movement of Goods Report (published February 2014) considered issues like product regulation and standards including the protection of Geographical Indications, the Customs Union, and intellectual property rights.

The Trade and Investment Report (published in February 2014) examined the impact of the EU's Common Commercial Policy, including EU free trade agreements which include trade in agricultural products between the EU and third countries.

The EU Budget Report (published at the same time as this report) considers areas of EU spending at the level of the Multi-Annual Financial Framework Regulation.

More information about the review, including a complete list of reports can be found at: www.gov.uk/review-of-the-balance-of-competences.

Engagement with Interested Parties

The analysis in this report is based on over 250 submissions of evidence received in response to a Call for Evidence by Defra from 21 October 2013 to 13 January 2014. It draws on notes of workshops, bilateral discussions and existing published material, such as Select Committee reports, academic literature and reports by non-governmental organisations. It takes account of material submitted to Calls for Evidence for other Balance of Competences reports where related issues were raised.

The Call for Evidence was distributed widely across the UK, other EU Member States and non-EU third countries. Organisations and individuals with an interest in agriculture and plants were encouraged to respond. Governments in Scotland, Wales and Northern Ireland, MEPs, parliamentary committees and government agencies were also invited to contribute.

An extensive programme of direct engagement was undertaken. Ten workshops were held, six in London, one in Brussels and one in each of Scotland, Wales and Northern Ireland. Events included roundtable discussions with academics and consumers and specific workshops on the Common Agricultural Policy and plant health and plant reproductive materials. A workshop on spending at the EU level was held jointly with HM Treasury and the Department for Business, Innovation and Skills. Social media were regularly used to raise awareness, with messages sent out via Twitter, Facebook and internet forums.

A list of those respondents who submitted evidence can be found in Annex A, with details of those who participated in workshops in Annex B.

Agriculture Report

The report is divided into three chapters:

Chapter One – Development and Current State of Competence

A description of the development of competence and the current balance of competences between the EU and the UK for agriculture, trade, plant health, plant reproductive materials and forestry.

Chapter Two – Impact on the National Interest: Summary of Responses

A summary of the evidence received and, on the basis of the views of respondents, an examination of the impact of the balance of competences on the UK national interest.

Chapter Three – Future Opportunities and Challenges

A look ahead to future challenges and opportunities in this area and the potential direction of UK and EU policy

Chapter 1: Development and Current State of Competence

- 1.1 This chapter examines the EU's current competence to make rules in relation to agriculture and considers briefly how that competence has developed. The powers in relation to agriculture conferred by the current EU Treaties do not differ greatly from those contained in the original Treaty of Rome establishing the EEC to which the UK acceded in 1973, although they do now give an important role to the European Parliament. However, the Common Agricultural Policy created using those powers has changed in significant ways as the EEC of six Member States has developed over 40 years into the present EU of 28 Member States. The EU's powers in the area of agriculture have also been used to legislate in relation to plant health, organic farming, and the marketing of seeds and plant reproductive materials. This chapter also describes the EU rules concerning biofuels and the position relating to competence for forestry.
- 1.2 Significant changes to the CAP were agreed in 2013 and are due to be implemented from 2014. The Commission has also recently proposed major changes to the rules governing plant health and plant reproductive material, and negotiations on these proposals are continuing.

The EU Treaties

EU competence is set out in the EU Treaties, which have been revised several times since the 1957 Treaty of Rome established the EEC in 1958. Following the Treaty of Lisbon, which came into force in 2009, the current Treaty on European Union (TEU) and Treaty on the Functioning of the European Union (TFEU) prescribe the structures of the EU institutions and when the EU and Member States can take action

EU Competence for Agriculture and International Trade

- 1.3 The current EU Treaties provide that the EU must act within the limits of competence conferred on it by the Member States, and set out the categories of exclusive, shared and supporting competences into which EU policies and actions fall. In the majority of areas, including agriculture, competence is shared between the EU and Member States.¹ This means that to the extent that the EU has enacted legislation, the UK generally does not have competence to act other than in accord with that legislation.
- 1.4 Following the Treaty of Lisbon, much of the EU's power to make laws in relation to agriculture is now subject to the Ordinary Legislative Procedure, which requires legislation

¹ Article 4(2)(d) TFEU.

to be agreed by both the Council, which is composed of ministers from each Member State, and the European Parliament. Previously the European Parliament only had a right to be consulted on proposals for new legislation. The European Parliament does not have a role in the making of certain measures including those fixing prices, levies and aid. In either case the Council reaches its decisions by Qualified Majority Voting (QMV), where a specified majority of votes is required and the share of votes of each Member State reflects its population size.²

- 1.5 The EU has exclusive competence in respect of trade in agricultural products with third countries, as this falls within the EU's common commercial policy.³

The EU's Current Powers in Relation to Agriculture

- 1.6 The current powers of the EU to legislate in respect of agriculture are set out in Articles 38 to 44 TFEU. These provide that the EU must implement a CAP which extends the Single Market to agriculture and trade in agricultural products, subject to special rules which do not apply to other products traded in the Single Market.⁴
- 1.7 Article 40(2) TFEU provides that these special rules may include 'regulation of prices, aids for the production and marketing of the various products, storage and carryover arrangements and common machinery for stabilising imports and exports'.⁵ EU competition rules which include the rules on state aids, only apply to production of and trade in agricultural products to the extent determined by the European Parliament and the Council.⁶

The objectives of the CAP are set out in Article 39(1) TFEU:

'(a) To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;

(b) Thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

(c) To stabilise markets;

(d) To assure the availability of supplies;

(e) To ensure that supplies reach consumers at reasonable prices.'

- 1.8 The EU's policy on agriculture must also take into account the over-arching principles expressed in the Treaties including in relation to the protection of the environment and sustainable development and respect for animal welfare.⁷

² Article 43 TFEU.

³ Article 3(1)(e) TFEU. EU competence in relation to the common commercial policy is considered further in HMG, *The Balance of Competences between the UK and the EU: Trade and Investment*, published in Semester 2.

⁴ Agricultural products are listed in Annex I to the TFEU and include live animals, meat, fish, crustaceans and molluscs, dairy produce, birds' eggs, natural honey, animal products, live trees and other plants, bulbs, roots, cut flowers and ornamental foliage, edible vegetables, fruits and nuts, coffee, tea and spices, cereals, sugar and tobacco.

⁵ The rules are currently set out in the single Common Market Organisation established by Regulation 1308/2013.

⁶ Article 42 TFEU.

⁷ See Articles 11 and 13 TFEU.

- 1.9 The legal base in the Treaties for EU action on biofuels is the provision on environmental protection in Article 192 TFEU.⁸ There is no express provision in the EU Treaties for EU competence in relation to forestry, although EU instruments concerning other areas such as agriculture or the environment can sometimes have implications for forests and forest management.^{9 10}

The EU and Trade in Agricultural Products with Third Countries

- 1.10 The EU's agriculture policy, both in respect to the support for domestic production and as regards trade in agricultural products with third countries, must be consistent with its obligations and those of Member States under international law. The Commission is responsible both for ensuring that EU legislation meets the EU's international obligations and that rules are correctly implemented in Member States.
- 1.11 The rules of the World Trade Organisation (WTO) are the most important multilateral agreements relevant to international trade in agricultural products. The need to comply with the requirements of the General Agreement on Tariffs and Trade and subsequently the WTO has over time led to important modifications in the CAP initially to re-orientate it from market management measures towards direct payments to farmers and then to ensure that those payments are not linked to agricultural production.¹¹
- 1.12 There are two WTO agreements of specific relevance in this area which aim to prevent unfair distortions to international trade by establishing rules on subsidies for domestic agriculture and controls for preventing the spread of animal and plant diseases.¹²

⁸ Please see: HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change Report* (2014), Chapter One.

⁹ Directive 1999/105/EC on the Marketing of Forest Reproductive Material, 1999, made under what is now Article 43(2) TFEU.

¹⁰ In *Parliament v Council*, Joined Cases C-164/97 and C-165/97 [1999], the European Court of Justice (ECJ) ruled that the inclusion of 'live trees' in the list of agricultural products in what is now Annex II to the TFEU does not have the effect of extending EU competence in the area of agriculture to forests but rather 'covers only live trees and goods (including seedling vegetables) of a kind commonly supplied by nursery gardeners or florists for planting or for ornamental use' (paragraph 18).

¹¹ In the main, the Commission represents Member States in trade negotiations concerning agriculture within the WTO, given the EU's exclusive competence for trade and the Customs Union.

¹² The Agreement on Agriculture provides the multilateral rules on international trade and domestic support for agriculture. As noted in evidence submitted by Dr. Fiona Smith, it places 'strict limits on the use of measures (i.e. tariffs and subsidies) that protect inefficient domestic agricultural sectors from external competition'. The Agreement on the Application of Sanitary and Phytosanitary Measures allows WTO members to set their own standards to protect human, animal or plant life or health provided that they do not use these standards to discriminate against imports from other countries or as a form of disguised protectionism. There are also international standards on phytosanitary measures set out in the International Plant Protection Convention, to which both the UK and the EU are signatories.

The EU and the WTO Dispute Settlement Mechanism in Relation to Bananas

The WTO provides a binding mechanism for settling disputes between its members. The EU's agricultural policies have been the subject of challenges under its rules.

EU measures which gave preferential tariff treatment to bananas imported from the African, Caribbean and Pacific (ACP) States gave rise to one of the longest running disputes since the signing of the General Agreement on Tariffs and Trade. It involved multiple challenges over the course of 20 years by Latin American countries whose exports of bananas to the EU markets were disadvantaged by higher tariffs.

Following a series of adverse rulings under the WTO's dispute settlement mechanism, the EU was ultimately obliged in 2009 to amend its rules on imports of bananas in a way which was compatible with its WTO obligations.

- 1.13 The EU has also entered into numerous bilateral international agreements to liberalise trade and to facilitate co-operation between the EU and third countries. Many of these contain provisions concerning trade in agricultural products. Since 2001, under the Everything But Arms arrangements, the EU grants duty free, quota free access to its markets for products from least developed countries. The EU is also entering into Economic Partnership Agreements with regional groupings of over 70 developing ACP States in order to give their agricultural exports preferential access to the EU market in a way which is compatible with WTO rules.
- 1.14 Negotiations are currently underway for a variety of EU bilateral trade agreements, including with the US, Japan, and a range of other major economies, which may have significant impacts on trade in agricultural products.
- 1.15 Where agreements with one or more third countries or international organisations concerning international trade including trade in agricultural products need to be negotiated and concluded, procedures described in the EU Treaties set out the respective roles of the Council, the Commission and the European Parliament in the negotiating process.¹³ For the negotiation and conclusion of agreements concerning trade in agricultural products the Council acts by Qualified Majority Voting.¹⁴
- 1.16 The European Economic Area Agreement between the EU and Iceland, Liechtenstein and Norway does not extend to the CAP. The agreement, therefore has no direct effect on agricultural support policies in Iceland, Liechtenstein and Norway, but it does contain provisions governing various aspects of trade in agricultural products between those countries and the EU.

Development of Competence

- 1.17 A significant body of EU policy and legislation on agriculture has been developed over the years. Much of the UK's agriculture policy is now agreed at EU level, with comparatively few areas directly relating to agricultural production and trade remaining exclusively within the competence of Member States.

¹³ Article 218 TFEU, subject to the special provisions of Article 207(3) TFEU.

¹⁴ Article 207(4) TFEU.

- 1.18 The UK acceded to the EEC on 1 January 1973.¹⁵ Successive UK governments have pressed, with varying degrees of success, for the liberalisation of EU agricultural policy both within the EU and in relation to international trade in agricultural products.

Common Agricultural Policy: History, Current State and Reform

- 1.19 The CAP is the system of subsidies and programmes under which farmers in the EU work. The policy covers farming, environmental measures and rural development, and regulates the organisation of EU agricultural markets. The UK Government is responsible for negotiations concerning agriculture in the EU in consultation with the devolved administrations in Scotland, Wales and Northern Ireland which are responsible for the implementation of CAP legislation in their respective territories.¹⁶ The CAP provides for flexibility in implementation and there are a number of differences in the current implementation arrangements. This is discussed in Section 2.3. Consultations are currently taking place on the details of implementation between 2014 and 2020.

¹⁵ Under the terms of the UK's Act of Accession, only some elements of EU agriculture rules apply to the Isle of Man and the Bailiwicks of Guernsey and Jersey (the Crown Dependencies), as described below. The CAP also does not apply to Gibraltar or the UK's Overseas Countries and Territories.

¹⁶ In case C-428/07 *Horvath* [2009], the ECJ upheld the right of the UK's devolved administrations to adopt different methods of implementing requirements of the CAP.

The Common Agricultural Policy: a Glossary

Cross-compliance	Support for farmers is conditional upon compliance with EU rules on the environment, food safety, animal health and good agricultural and environmental condition.
Direct payments	EU subsidies to farmers within Pillar One of the CAP.
Disallowance	Fines imposed on Member States by the Commission for deficiencies in the implementation of European rules.
LEADER	Local delivery mechanism that promotes an integrated, bottom-up approach for community-led delivery of rural development funding.
Market Price Support	Policies which control EU markets for agricultural products and aim at ensuring that the price at which a farmer sells a good in the market place does not fall below a certain minimum level. Includes measures such as: public intervention, private storage, marketing and quality standards, import and export rules, crisis measures, aid schemes and competition and state aid rules.
Paying agency	Bodies which are responsible for accounting for payments under CAP schemes. In the UK there are Paying Agencies in England, Scotland, Wales and Northern Ireland.
Pillar One and Pillar Two	The CAP is divided into two parts — Pillar One deals with direct payments and market management measures, and Pillar Two deals with rural development.
Rural development	The area of CAP expenditure which aims to achieve specific public benefit policy aims.
Single Common Market Organisation	Measures for the management of agricultural markets in the EU.
Single Payment Scheme	The EU's main agricultural subsidy scheme under Pillar One. Payments are 'decoupled', that is they are not tied to the amount of agricultural production by recipients.

Origins and Development of the CAP

- 1.20 The Treaty of Rome specified that the EEC would be based on a customs union, and that the common market would extend to agriculture. Agriculture was previously characterised by heavy and highly variable levels of farm subsidy in each Member State. The EEC wished to encourage domestic production and its six founding Member States sought to achieve this by giving domestic production preference over trade with third countries.¹⁷
- 1.21 Although the Treaty was agreed in 1957, the CAP and the legislation underpinning it only came into force on 1 July 1962.¹⁸ Its main characteristics were price support which is paid

¹⁷ These were: Belgium; France; Italy; Luxembourg; the Netherlands; and West Germany.

¹⁸ Furthermore it was 1966 before there was an agreement on common financing of the policy and 1967 before national agricultural support policies amongst the original Member States were aligned across the EEC.

for directly by the consumer rather than indirectly by taxation, and high tariffs on imports to encourage domestic production.

- 1.22 Market price support policies sought to control the markets for agricultural products within the EU, in order to insulate them from world markets and maintain agricultural prices at levels that were much higher than they would otherwise have been. The instruments employed varied considerably by product and were the subject of repeated reform.
- 1.23 In the mid-1960s, market price support resulting in very high prices encouraged EEC farmers to expand production. This led to large surpluses, especially in the 1980s, the infamous butter mountains and wine lakes, which in turn prompted budgetary crises within the EU and eventually measures to control supply. There was also mounting international pressure to make the CAP less trade-distorting in the Uruguay Round of negotiations conducted between 1986 and 1994 within the framework of the General Agreement on Tariffs and Trade which led to the establishment of the WTO in 1995. This included lowering the levels of the most trade-distorting types of agricultural support, especially export subsidies.
- 1.24 These factors led to the 1992 MacSharry reforms of the CAP, which shifted the balance of support from market measures to direct payments to farmers. Initially direct payments were partly or wholly production-related ('coupled') such as the arable aid payment and headage payments for livestock. However, direct payments coupled to production still distort markets, as farmers have incentives to plant a larger area or keep more livestock than they otherwise would in order to secure additional subsidy payments. This created environmental pressures and encouraged the export of EU-subsidised agricultural products to third countries.
- 1.25 In response to these concerns a new Single Payment Scheme was introduced in Member States between 2005 and 2007 which 'decoupled' direct payments from production of specific crops or livestock.¹⁹ The Single Payment Scheme did not require agricultural production of any sort, but was still linked to agricultural land area. Member States and regions had a choice between basing payments on historic payments received by each farm; a flat rate per hectare; or a combination of the two. Different administrations in the UK and elsewhere took a range of approaches. For example, England adopted a hybrid transition to flat rate payments moving year by year from a predominantly historic basis to a flat rate payment by 2012. Whatever the model chosen, farmers had to satisfy cross-compliance requirements in order to receive the full value of their payment.

¹⁹ A similar scheme, the Single Area Payment Scheme, was introduced for the Member States who joined the EU in the 2004 enlargement.

Greater Discretion Accorded to Member States

‘There is evidence of a continuing trend for Member States to be granted greater discretion when implementing the Common Agricultural Policy [...] Thus [...] the new direct payments regime [...] contains several options which go beyond those found in the earlier legislative framework. For example, it is for Member States to elect whether or not to introduce the new redistributive payment to target support to small and medium-sized farms, the new payment for areas with natural constraints and the new Small Farmers Scheme [...]

At the same time, the grant of greater discretion to Member States may lead farmers to feel aggrieved that its exercise has rendered ‘the grass to be greener on the other side of the fence’ [...] in Case C-428/07, [Horvath] [...] it was alleged that discrimination arose in consequence of English farmers being subject to a more onerous cross-compliance regime than farmers in Scotland, Wales and Northern Ireland. The European Court of Justice (ECJ), however, was clear that, if the constitutional system of a Member State provided that devolved administrations were to have legislative competence, the mere adoption by those administrations of different cross-compliance obligations did not in itself constitute discrimination contrary to Community law’.

Michael Cardwell, Professor of Agricultural law, University of Leeds, *Submission of Evidence*.

- 1.26 Alongside these developments, an increased share of CAP funds was devoted to the delivery of specific public benefits such as increased competitiveness and agri-environment measures. Following the Agenda 2000 reform agreed in 1999 ‘rural development’ measures were drawn together in a single legal framework, and increased financial resources were allocated to it.
- 1.27 Market support measures did not entirely disappear, but as their significance declined attempts were made at simplification. In 2007 a single Common Market Organisation (sCMO) replaced 21 product-specific Common Market Organisations and established a horizontal framework for the classic areas of EU market policy.
- 1.28 Measures taken under the CAP are now split between Pillar One and Pillar Two with a certain amount of national discretion about transferring sums from one Pillar to another being permitted under EU rules.
- 1.29 Since the creation of the CAP the EU has grown from 6 to 28 Member States. The Scottish Government argued that enlargement had ‘resulted in a much greater degree of heterogeneity between Member States’. It set out some of the reasons why, in its view, there needed to be scope for local flexibility in CAP implementation:
 - Production systems are inevitably constrained by factors such as climate and quality of agricultural land;
 - The original six EEC Member States had a combined population of around 170 million. The present EU of 28 Member States has a total population of over 500 million;
 - In 1958 the EEC stretched from Germany to Sicily north to south, and from Brittany to Bonn east to west. The present EU now stretches north to the Arctic Circle, and west to east from Portugal to the Black Sea;
 - In terms of economic prosperity GDP per capita in the present EU ranges from around €13,000 to around €80,000.

International Context

Agriculture Support in Selected non-EU Countries

Norway set out its objectives for agriculture in a White Paper of 2012 as: food security, agriculture throughout Norway, creating added-value, and sustainability. Efforts to maintain domestic production mean that Norwegian policy is characterised by large direct payments for income support (differentiated by region and farm size) and tariffs at the border designed to support prices.

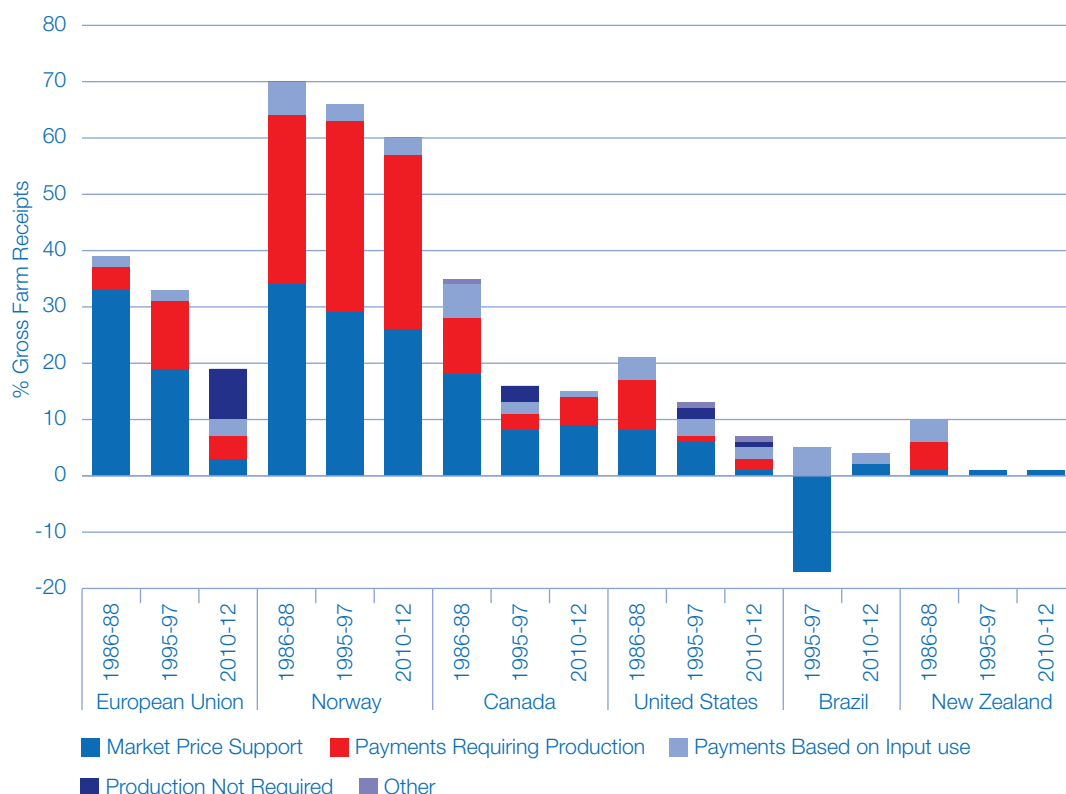
The **United States** reformed its agricultural policies with the Farm Act 2014. This represented a move away from direct payments and towards insurance based support. Up to now agricultural support has been based on direct payments, counter-cyclical payments and insurance. Environmental programmes are also important, although they are typically payments to take land out of production.

Canada reformed agricultural policy in 2012 and aimed to shift from reactive income support to protecting producers from market and natural disasters. Canadian agricultural support has long consisted of layers of subsidised risk management tools for farmers such as income insurance, subsidised savings, insurance against natural perils and ad-hoc disaster assistance.

Brazil has two agricultural ministries: one covering the commercial sector, and another dealing with small-scale family farming. Domestic prices were previously below world prices, meaning that market price support was negative. Support has grown since the 1990s, in common with many developing and emerging economies, and now consists of price support, rural credit and agricultural insurance.

New Zealand's production and trade distorting policies, largely payments requiring production or based on input use, essentially disappeared with reforms in the mid-1980s. Its low levels of support for agriculture reflect its position as a competitive exporter (New Zealand is the world's largest dairy and sheep meat exporter) with an open trade policy. Support is limited to general services such as agricultural research and biosecurity.

Chart One shows how support to agricultural producers has changed since the 1980s in a selection of non-EU countries, in comparison to the EU. Most have seen producer support fall due to policy reform and price increases on world markets, although there is still large variation in both the level and composition of support around the world.

Chart One: Comparison of OECD Producer Support Estimates over time

Source: Derived from data in OECD, *Agricultural Policy Monitoring and Evaluation 2013*.

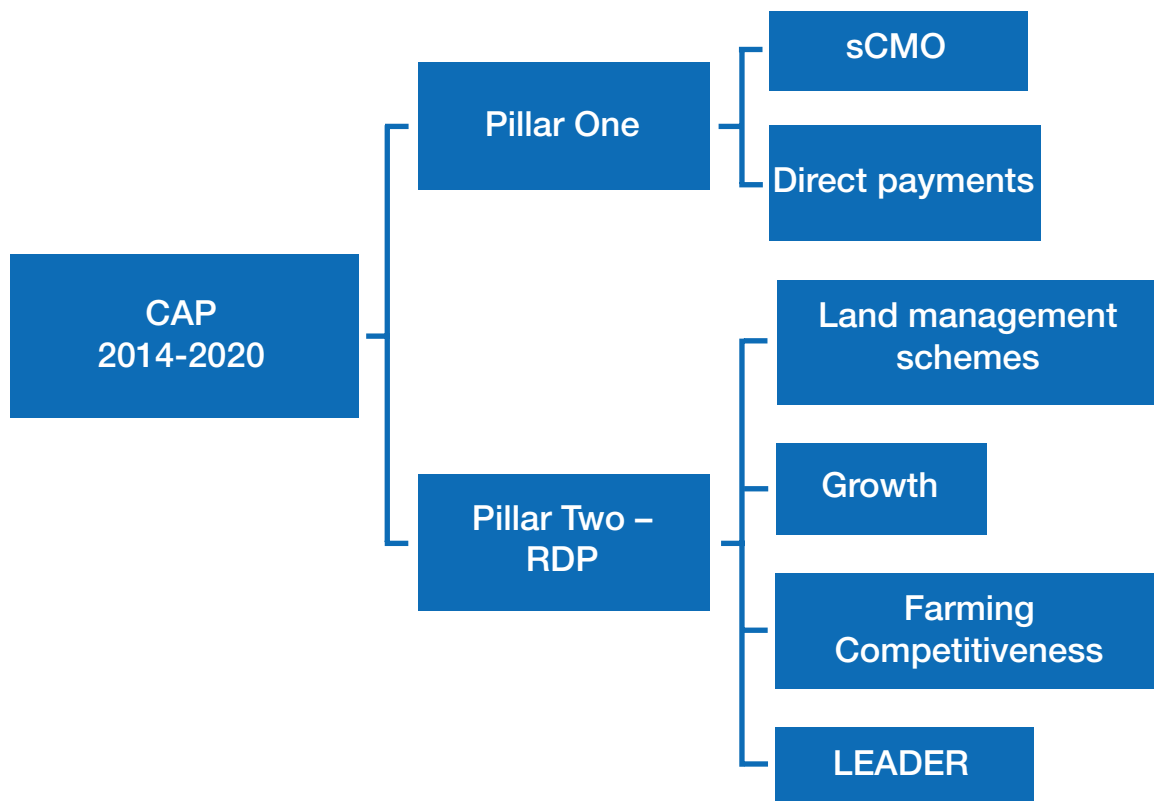
The CAP 2014-2020

- 1.30 In December 2013 the Council and the European Parliament agreed on a set of Regulations giving effect to the outcome of extended negotiations on further reforms of the CAP. This was the first CAP to be co-decided by the two institutions under the Ordinary Legislative Procedure.
- 1.31 The CAP retains the two pillar structure. Pillar One defines and funds the market management measures under a new single Common Market Organisation and the direct payments regimes which follow on from the current Single Payment Scheme; this includes a new 'greening' measure described below. As such Pillar One retains the lion's share of CAP funding, as in previous CAP programmes. Pillar Two is the home of the rural development programmes, supporting agri-environment schemes, rural growth, and farming competitiveness and productivity measures. It also includes LEADER which represents 5% of EU funding for rural development. Pillar Two funding is, unlike Pillar One, co-financed by national governments. Certain measures under Pillar Two require private sector match-funding.²⁰
- 1.32 The new rules governing the CAP are set out under four main regulations relating to: the single Common Market Organisation (sCMO); direct payments; Rural Development Programmes (RDP); and financing, management and monitoring. There is also a Regulation covering the transition to the new rules.²¹

²⁰ Further detail about how the CAP is being implemented in England is available at www.gov.uk/cap-reform; in Scotland at www.scotland.gov.uk/Topics/farmingrural/Agriculture/CAP; in Wales at www.wales.gov.uk/topics/environmentcountryside/farmingandcountryside/cap/?lang=en and in Northern Ireland at www.dardni.gov.uk/index/grants-and-funding/common-agricultural-policy-reform.htm. Websites last accessed on 12 May 2014.

²¹ Regulation 1310/2013/EU of the European Parliament and the Council Laying down Certain Transitional Provisions on Support for Rural Development by the European Agricultural Fund for Rural Development (EAFRD), amending Regulation (EU) No 1305/2013 of the European Parliament and of the Council as regards Resources and their Distribution in respect of the year 2014 and amending Council Regulation (EC) No 73/2009 and Regulations (EU) No 1307/2013, (EU) No 1306/2013 and (EU) No 1308/2013 of the European Parliament and of the Council as regards their application in the year 2014, 2013.

Figure One: Shape of the Common Agricultural Policy 2014-2020



Single Common Market Organisation

1.33 The new sCMO regulation which came into force on 1 January 2014 carried forward many of the existing rules for the management of agricultural markets in the EU but with several significant changes.²² For example, milk quotas will expire in 2015, while sugar quotas will only extend to 2017. There are also increased powers for Member States to support Producer Organisations.

Direct Payments

1.34 From 1 January 2015 a new direct payments system will come into effect. This will be similar in many ways to the Single Payment Scheme which it replaces, but two significant changes are that: (i) the majority of Member States and regions, whose single payments are still based on historic payments, are obliged to commence a transition to flat rate payments; and (ii) 30% of the direct payment will be dependent on meeting certain greening requirements, which means scheme participants must apply the environmental practices set out in the new regulation or in equivalent national schemes.²³ Direct payments and some rural development payments will only be available to participants who meet a new 'active farmer' test, and the new system also boosts support in some circumstances for young farmers.

²² Regulation 1308/2013 Establishing a Common Organisation of the Markets in Agricultural Products, 2013.

²³ Establishing Rules for Direct Payments to Farmers under Support Schemes within the Framework of the Common Agricultural Policy.

Rural Development

- 1.35 Just under a quarter of CAP funding is spent on rural development measures. These cover: improving competitiveness; sustainable management of natural resources and climate action; and development of rural economies and communities.
- 1.36 From 1 January 2015 the new Rural Development Regulation allows Member States to decide which measures to use in order to achieve targets set against at least four of six broad priorities: knowledge transfer and innovation; farm viability and competitiveness, innovative farm technologies and sustainable management of forests; food chain organisation, processing and marketing, animal welfare and risk management; restoring, preserving and enhancing ecosystems; resource efficiency, low carbon and climate resilient agriculture, food and forestry sectors; and social inclusion, poverty reduction and economic development in rural areas.^{24 25} Member States now have to spend at least 30% of their rural development funding on measures related to land management and climate change.

Financing, Management and Monitoring

- 1.37 From 1 January 2014 a new Regulation establishes the framework under which the CAP funds are managed and controlled.²⁶ It sets out the role and responsibilities of paying agencies, and details the rules of the systems they must use to ensure both Pillar One and Pillar Two funds are being spent correctly. It also covers areas such as audit provisions including the basis for the application of disallowance, cross-compliance requirements, penalties regimes, transparency and the basis on which Member States can devolve implementation to their territories.

The Crown Dependencies

The Crown Dependencies (the Isle of Man and the Bailiwicks of Guernsey and Jersey) are not members of the EU, but certain aspects of EU law relating to trade in goods and the Customs Union apply to them, as outlined in Protocol 3 to the UK's Treaty of Accession to the EEC.²⁷ The Crown Dependencies must adhere to EU rules to facilitate and enable trade including in relation to veterinary matters; animal health; plant health; marketing of seeds; food; feeding stuffs; and quality and marketing standards.

The Crown Dependencies are outside the CAP: they do not pay into or receive funds from the EU budget. However Protocol 3 and Regulation 706/73 impose constraints on the Crown Dependencies' own systems of agricultural support: state aid for exports to Member States and to non-EU countries may not exceed that permitted under the respective EU rules.

Although outside the CAP, the Crown Dependencies are indirectly influenced by it and the rural development programme in each Island is consistent with the direction of travel of CAP reform. For example agricultural support in each Crown Dependency has been decoupled from production for several years. Most of the Crown Dependencies' food products are imported from the EU, so the CAP has a significant indirect impact on businesses, and on consumer prices.

²⁴ For further detail see www.gov.uk/government/publications/cap-reform-in-england-status-report-on-the-new-rural-development-programme, last accessed on 12 May 2014.

²⁵ Regulation 1305/2013 on Support for Rural Development by the European Agricultural Fund for Rural Development, 2013.

²⁶ Regulation 1306/2013 on the Financing, Management and Monitoring of the CAP, 2013.

²⁷ The more detailed rules implementing Protocol 3 with respect to trade in agricultural products are set out in Regulation 706/73.

Organic Farming

- 1.38 Organic farmers must meet strict EU standards for farming, production and processing practices, which are regulated by an inspection, certification and labelling control system. The main details of the control system are set out in Regulation 834/2007 on organic production and labelling of organic products. The Commission carried out a review of the existing organic farming legislation which in its words ‘will target inconsistencies, gaps and ineffective measures, simpler rules and reduced regulatory costs’. A proposal for a new regulation, an impact assessment and an action plan were published in March 2014.

Plant Health and Plant Reproductive Materials

- 1.39 The move towards creating a Single Market in the early 1990s included a reassessment of the balance between the benefits of intra-EC trade and the risk of the introduction or spread of organisms harmful to plants and plant products. Previous national requirements for consignments from other Member States to be accompanied by official phytosanitary certificates verifying freedom from pests and diseases were replaced by an EU plant passport regime allowing the free movement of plants and plant products between and within Member States.
- 1.40 The EU’s main plant health regime is now established by Directive 2000/29/EC, which lays down specific requirements in relation to the import of plants and plant products into the EU and the internal movement of certain plants and plant products within the EU. Relevant products can only be imported into the EU if they are accompanied by a phytosanitary certificate, and are subject to import checks at designated border inspection posts. The EU’s Food and Veterinary Office monitors the implementation of the EU plant health regime in Member States.
- 1.41 A Member State can apply to the Commission for protected zone status for an area in its territory in order to protect that area against the introduction of a plant pest which is established elsewhere in the EU. Such status enables it to impose restrictions on the movement of relevant material. The regime also allows a Member State to introduce temporary national emergency measures to protect itself against an imminent danger of a plant pest being introduced and spread in its territory. If ultimately the Member State is not able to satisfy the Commission that EU legislation is appropriate, it must remove any national regulations introduced in the meantime.

Reform of EU Plant Health Rules

- 1.42 The EU regime underpinning plant health is subject to major review, as are the rules on the marketing of plant reproductive material (see below), following the Commission’s publication in 2013 of a *Healthier Animals and Plants and a Safer Agri-Food Chain* package of proposals.²⁸ This aims to strengthen the enforcement of health and safety standards for the whole agri-food chain, including extending official food and feed control measures to plant health and the production and marketing of plant propagating material. The package comprises four interconnected proposals on official controls, animal health, plant health and plant reproductive material and a fifth proposal covering financial measures in support of the package.

²⁸ Communication from the Commission to the Council and the European Parliament, *Healthier Animals and Plants and a Safer Agri-Food Chain A Modernised Legal Framework for a More Competitive EU* COM (2013) 264 final, May 2013.

1.43 The Commission's proposal seeks to overcome deficiencies identified by an evaluation of the current regime in 2010 and to put in place a robust, transparent and sustainable regulatory framework. The main findings of the 2010 evaluation, to which the UK contributed substantially, were that a future regime needed:

- Improved focus on prevention in relation to increased imports of high risk commodities from non-EU countries
- To prioritise pests at EU level across all Member States so as to focus action against the highest risks
- More effective instruments for controlling the presence and natural spread of pests; and
- To modernise existing instruments for intra-Union movement of plants and plant produce.

Plant Reproductive Materials

1.44 Marketing of seed and other propagating material of agricultural, vegetable, forest, fruit, vines and ornamental species is currently governed by a number of EU Directives which are intended to ensure that EU criteria for varietal identity, quality and health are met. Seed imported from non-EU countries has to meet equivalent criteria.

1.45 Regulation of agricultural species is based on registration of varieties through testing for 'distinctness, uniformity and stability' and value for cultivation and use, and official certification of seed to assure varietal identity and seed quality. Vegetable species must also be registered, on the basis of distinctness, uniformity and stability tests only; quality is assured by producers and monitored by officials. Comparable requirements for fruit species are in the final stages of development by the EU. There are currently simpler registration requirements for vegetable varieties intended for home gardeners, on the basis of a simple description provided by the applicant, with quality standards the same as for seed sold to commercial growers.²⁹ Material of ornamental species must meet minimum quality standards and may be marketed under a variety name on the basis of being 'commonly known' or a description held by the supplier.

Reform of EU Plant Reproductive Material Rules

1.46 In May 2013, the Commission published proposals for a single EU Regulation governing the production and marketing of plant reproductive material. The proposed legislation retains the pillars of variety registration and certification for agricultural and vegetable species while extending a basic level of control to all plant species for the first time. Under the proposal, the existing simpler registration requirements for vegetable varieties sold to gardeners would be removed, making such varieties subject to full distinctness, uniformity and stability testing and registration requirements and the associated costs. The current provisions for the marketing of ornamental varieties would also be replaced by a requirement for an 'Officially Recognised Description'.

1.47 The proposed new Regulation is currently under negotiation in accordance with the Ordinary Legislative Procedure, which requires the agreement of the European Parliament and the Council. It attracted a lot of comment through the Call for Evidence and is discussed in Section 2.3 of this report.

²⁹ In *Association Kokopelli v Graines Baumaux SAS* Case C-59/11 [2012] the ECJ rejected a challenge to these requirements (as set out in Directives 2002/55/EC and 2009/145/EC) for 'heritage seeds', finding that they were not disproportionate to the aim of conserving plant genetic resources.

Biofuels

- 1.48 Biofuels are fuels produced from renewable biological resources such as plant biomass or treated waste. In 2003, Directive 2003/30/EC required Member States to ensure that a minimum proportion of biofuels and other renewable fuels were placed on their markets and to set national targets for biofuel use. It has now been replaced by Directive 2009/28/EC, which contains a target for the UK to source 15% of its overall energy and 10% of energy used in transport from renewable sources by 2020. These targets and their economic consequences can affect the decisions made by farmers about what crops to grow and thus influence the supply of certain types of agricultural products on the market.

Forestry

- 1.49 Forestry is an example of remaining national competence where there is no provision in the Treaty on the Functioning of the European Union for EU competence or legislation in this area. Member States have repeatedly rejected any suggestion that competence on forestry should be passed to the EU, though they acknowledge there are policy overlaps with areas where the EU does have competence, for example biodiversity, rural development, plant health and climate change.
- 1.50 The EU first adopted a Forestry Strategy in 1998. In 2013 the Commission adopted a new strategy which sought to take into account challenges that have emerged since the adoption of the current strategy, such as climate change and EU policy on renewable energy.³⁰
- 1.51 The EU and its Member States are also engaged in negotiations under the Forest Europe process for a legally binding agreement on forests in Europe. This agreement would cover at least 35 countries at the pan-European level, including the EU and Eastern European countries out to and including Russia. Although negotiations are led jointly by the Presidency, on behalf of the Member States, and the Commission, for the EU, the Negotiating Directives state that any legally binding agreement 'shall primarily be implemented by the Member States' and 'will not entail new EU legislation that would affect the current distribution of competences between the EU and its Member States'.³¹

³⁰ European Commission, *A New EU Forest Strategy: for Forests and the Forest-Based Sector* (2013).

³¹ Addendum to Decision 2011/712/EU.

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Chapter 2: Impact on the National Interest: Summary of Responses

This chapter addresses the fundamental question that we asked in the Call for Evidence. Should the EU have competence for agriculture and plant health? It reports on the evidence submitted and takes into account previously published material. We do not seek to comment on the evidence rather we aim to summarise it to demonstrate the range of views about how EU competence for agriculture has had an impact on the UK.

This chapter summarises evidence about:

- EU competence for agriculture and its impact on the UK, considering:
 - The Single Market for agricultural and horticultural commodities and food;
 - Costs of EU competence for agriculture;
 - Impacts on the environment and provision of public goods;
 - Impacts of EU biofuels policy on UK and EU agriculture.
- The most appropriate level (international, EU, national or sub-national) to take action on agriculture; and the role of the EU in international negotiations:³²
 - Rationale for EU level action;
 - Global trade and external relations;
 - EU agriculture policy - levels of decision making; and
 - Forestry policy.
- The way that EU policy is made, how EU institutions function, the merits of different legislative approaches and how EU policy is implemented:
 - EU process;
 - Implementation and enforcement;
 - Flexibility and proportionality.

³² In this report the term 'international' is defined as beyond the EU level.

2.1 EU Competence for Agriculture and its Impact on the UK

- The first sub-section summarises the large amount of evidence that was submitted on the impact of the Single Market;
- The second sub-section reports on the evidence about the financial costs of EU competence, particularly the budget for the Common Agricultural Policy;
- The third sub-section explores respondents' views about impacts on the environment and the delivery of public goods;
- The fourth sub-section summarises the evidence about the impact of EU biofuels policy on agriculture.

Introduction

- 2.1 Respondents saw the ability of UK farmers, growers and food businesses to participate in the Single Market as essential to the prosperity of UK agriculture. Nonetheless, respondents identified negative impacts for the UK as a consequence of the costs and design of the CAP, including the balance of funding between the two pillars.
- 2.2 It is perhaps worth reflecting at the start what respondents thought about the Treaty objectives of the CAP which are set out in Chapter One. Participants at our CAP workshop thought that the Treaty objectives were out-dated because in practice the CAP now went beyond them, for example with separate objectives for Pillar Two.³³ They agreed that the CAP could be improved if it had clearer overall objectives, and that clarifying the objectives was the first step to really assessing and achieving value for money. Professor Robert Ackrill argued that the Treaty objectives were vague, possibly out of date, and gave no guidance to the appropriate level of spending required to deliver each objective. However, he also noted that the Treaty had not constrained policy makers from developing further objectives for the CAP.
- 2.3 The CLA argued that the absence of CAP objectives for environmental protection and enhancement was incorrect and the CAP's key policy objectives should include 'food security, sustainable food production, adaptation to climate change, ecosystem services and a crisis reserve for agriculture'.
- 2.4 In a 2009 report, the House of Commons Environment, Food and Rural Affairs Committee expressed disappointment that the Treaty of Lisbon did not address the out-dated nature of European agricultural obligations and reflect the increasing importance of sustainability. It said that the principles of the new CAP (i.e. sustainable food production) should be reflected in future amendments to the EU Treaties.³⁴
- 2.5 However, the former President of the National Farmers' Union (NFU), Peter Kendall, in his 2014 speech at the Oxford Farming Conference, argued that 'the objectives of the CAP, laid down in the Treaty of Rome, remain exactly right 55 years later'.³⁵ He argued that there was one primary objective of the CAP 'increasing productivity' and that the other objectives were subsidiary, but that had been 'forgotten'.

³³ *Record of 9 December 2013 Workshop on the CAP*. See Annex B for a list of participants.

³⁴ House of Commons Environment, Food and Rural Affairs Committee, *Securing Food Supplies up to 2050: the Challenges Faced by the UK* (HC 2008-09 213-I).

³⁵ Peter Kendall, Speech to the Oxford Farming Conference (2014).

The Single Market for Agriculture

- 2.6 Respondents identified the EU as the key market for UK farmers, growers and food producers. The Senior European Experts Group (SEEG) drew attention to the stability provided by the long-term policy framework and the broadly level playing field that the Single Market provided, which in its view had enabled British farming and food producers to innovate, modernise and exploit commercial advantage. Professor Alan Swinbank argued that a Single Market had not applied within the CAP before 1992 and that before this, various non-tariff barriers, stemming from food safety, plant health, and veterinary regulations for example, impeded the free flow of products between Member States.
- 2.7 The Food and Drink Federation (FDF) said that its members operated across the EU in increasingly open and competitive markets and supported a harmonised European approach to agriculture and plant health. This greatly reduced market access barriers faced by both importers sourcing agricultural raw materials in other Member States and exporters of added value products. The Department of Agriculture and Rural Development for Northern Ireland (DARDNI) identified the importance for the competence question of the very extensive trade in agricultural products within the EU. It argued that the common policy framework provided by the EU underpinned the free movement of agricultural produce and sought to avoid distortions of competition within the EU.

Size and Value of the Single Market

- 2.8 The EU constitutes the largest economy in the world. In 2010, the then 27 Member States of the EU accounted for a 25.8% share of the world's Gross Domestic Product.³⁶ Respondents emphasised the opportunities of tariff-free access to a Single Market of 500 million consumers and the economic importance of the EU as the UK's main export market. Companies emphasised the ease and flexibility that derived from harmonised market standards across 28 Member States.
- 2.9 George Lyon MEP on behalf of Liberal Democrat MEPs cited UK Government figures which show that the European Single Market is the main export market for UK agriculture (see Charts Two and Two A). He reported that four of the top five export destinations for UK produce are EU Member States with the other being the USA which is the third largest importer of UK produce. The top eight UK trade partners for imports are all EU Member States.

Chart Two: Exports in food, feed and drink by country of destination 2012

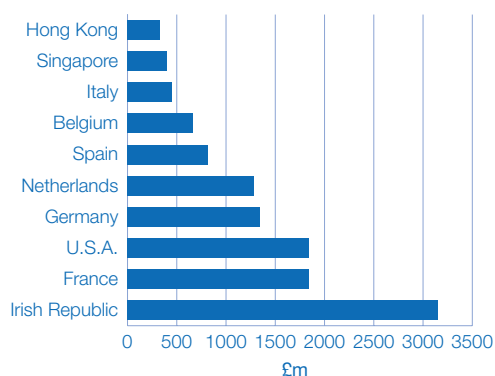
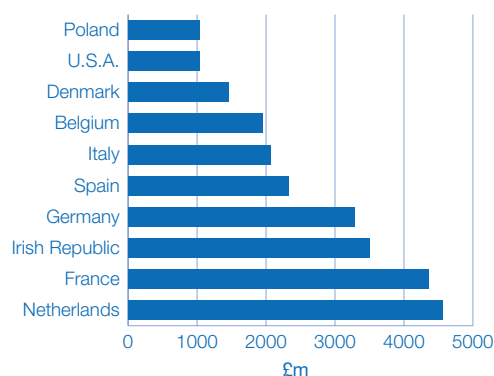


Chart Two A: Imports in food, feed and drink by country of dispatch 2012



Source: Department for Environment, Food & Rural Affairs, Agriculture in the UK (2012). Last accessed in May 2014.

³⁶ Eurostat, *The EU in the World 2013 – a Statistical Portrait* (2012).

- 2.10 The FDF set out the importance of the EU export market for UK food and drink manufacturers. These businesses buy nearly two-thirds of UK agricultural production, thereby profiting UK farmers and growers. It pointed out that food and drink was the largest manufacturing sector in the UK, creating Gross Value Added of £20bn and employing up to 400,000 people. It reported that UK agri-food exports to the EU were growing steadily. More than £12bn of food and non-alcoholic drink products are exported each year, of which 76% goes to other EU Member States. The Horticultural Trades Association cited Defra figures which showed that, in 2012, the UK imported £1.05bn and exported £47m of ornamental horticultural produce, the majority being intra-EU trade.
- 2.11 The Farmers' Union of Wales and Hybu Cig Cymru (HCC) argued that EU mechanisms and support were of particular assistance to Wales, which is export focused and consumes less than 5% of its sheep and beef meat products.³⁷ HCC explained that Wales was the largest sheep meat exporting region in the EU and that exports of Welsh Lamb and Welsh Beef, products covered by the EU's Protected Geographical Indication, were worth £217m in 2012.³⁸

Common Standards for Producers

- 2.12 There was widespread support amongst respondents from all sectors, including businesses and their representative organisations, for common EU standards to provide a level playing field for businesses in terms of competition. DARDNI said that the value of common and enforced standards could not be overstated and that the UK had a strong voice in the international forums that set and monitor standards, strengthened by its influence within the EU trading bloc. The Welsh Government argued that EU action in respect of harmonised food safety, food standards legislation and animal health and welfare standards was of direct benefit to Welsh based businesses wishing to export products and services to other Member States.
- 2.13 KWS UK Ltd, an international plant breeding company, argued that if neighbouring markets were subject to individual country regulation, the resulting barriers to markets and immense complexity would make a competitive UK agriculture sector far more difficult to deliver. The British Society of Plant Breeders said that adherence to recognised common standards was a positive advantage to businesses trading globally and helped with free circulation of material within the EU. However, the Agriculture and Horticulture Development Board raised the problem that some Member States were unable to match the very high standards that the UK applies, and cited the example of EU rules for seed potatoes which are harmonised at a lower than UK level. This makes it harder for the UK to export seed potatoes to third countries like Egypt where standards are higher and akin to previous UK standards.

Common Standards for Consumers

- 2.14 The impact of EU policy on consumers was frequently raised. Respondents commented on issues like the cost, choice, safety and availability of food for consumers. Participants in our consumer roundtable argued that EU competence assured UK consumers that food should be produced to the same safety standards and quality across all Member States.³⁹ HUSH (Haemolytic Uraemic Syndrome Help), the UK E.coli support group, said

³⁷ Hybu Cig Cymru is the levy funded organisation responsible for the development, promotion and marketing of Welsh red meat.

³⁸ Full list of UK registered products under the EU's Protected Food Name scheme, please see: www.gov.uk/government/collections/protected-food-name-scheme-uk-registered-products, last accessed on 12 May 2014.

³⁹ *Record of 18 December 2013 Roundtable on the Consumer Perspective*. See Annex B for a list of participants.

that regulations brought in by the EU had benefited the consumer in relation to improving consumer safety. It argued there was still a considerable way to go but believed that this joined up approach benefited all Member States.⁴⁰

- 2.15 Attendees at the consumer roundtable also said that UK consumers could be assured that animals in other Member States are reared to common welfare standards like those in the UK.⁴¹ Legislation on veal crates, sow stalls and battery cages was cited. However, respondents including Hybu Cig Cymru; the Fresh Start Project; and Robin Wilson argued that a lack of EU-wide compliance with EU animal welfare legislation put UK farmers at a disadvantage.⁴²
- 2.16 The NFU said that minimum common rules established by the sCMO provided a guarantee for consumers that ensured confidence and market demand. The Fresh Produce Consortium reported that the UK imports around 60% of its fresh fruit and vegetables, with the majority of imports coming from other EU Member States and argued it was vital that UK consumers had access to a wide range of fresh produce all year round to achieve a healthy diet.
- 2.17 Asda also argued that it was of paramount importance to the national interest that UK consumers had access to a safe and secure supply of food. It said the EU agriculture model had created a market where it, and other retailers, could freely access produce at competitive prices from millions of farms in the Member States of the EU which was produced to agreed standards.

Impacts on Prices

- 2.18 There was disagreement about whether membership of the Single Market increased or decreased costs to the consumer. Arguments centred on three concerns; what tariffs the UK would have if we were outside the Single Market; the effect of CAP payments and subsidies for producers on prices paid by consumers; and the effect of regulations on producer costs.
- 2.19 The NFU put forward evidence that membership of the Single Market reduced food costs to the consumer. It said that the UK imported £28.9bn worth of agricultural products from the EU in 2012 and the cost of imported products from the continent would significantly increase for consumers in the absence of continued free trade agreements with EU partners. This presupposes that the UK (if outside the EU) would impose import tariffs on agricultural products from outside the EU. Wm Morrison Supermarkets plc argued that the Common Market Organisation had been highly effective at facilitating competition in agricultural products to the benefit of consumers in the UK and EU.
- 2.20 The TaxPayers' Alliance said that food imported to the EU became more expensive because of EU tariffs and quotas, leaving the consumer no choice but to buy at higher prices.⁴³ The Fresh Start Project cited figures from the University of Dublin indicating that tariffs on agricultural imports to the EU from countries without most favoured nation status range between 18% and 28%, much higher than the average 3% paid on imports of

⁴⁰ Please see: HMG, *The Balance of Competences between the UK and the EU: Animal Health and Welfare and Food Safety* (2013) for discussion of the impact of EU competence for food safety on consumers.

⁴¹ *Record of 18 December 2013 Roundtable on the Consumer Perspective*.

⁴² Fresh Start Project, *Chapter Three: Common Agricultural Policy* (2012). Please see HMG, *The Balance of Competences between the UK and the EU: Animal Health and Welfare and Food Safety* for discussion of the impact of EU competence for animal welfare.

⁴³ The TaxPayers' Alliance, *Food for thought: How the Common Agricultural Policy Costs Families Nearly £400 a Year* (2009).

manufactured goods.⁴⁴ The Organisation for Economic Co-operation and Development (OECD) estimates that the effect of European policies in agriculture (trade and domestic) is to cost EU consumers €16bn. On average, prices received by farmers in the EU are 4% higher than those on the world market. Higher prices tend to be found in the meat sector, particularly sheep, beef and poultry.⁴⁵

- 2.21 The Freedom Association argued that the consumer was put at a disadvantage because the system removed the potential for meaningful competition for farmers in specific areas to produce higher quality produce. It also argued that import restrictions acted as deterrent to producers in third countries from selling their produce in the EU and because of the lack of competition, EU producers were able to increase their prices accordingly. As an example it cited Spanish fruit and vegetables, which had export growth to the UK of +7% in 2012. In its view, this meant the UK was exposed to a market where producers within the EU were able to define what was available to the UK consumer much more than if we were to operate at world prices.
- 2.22 The Fresh Start Project also said that any increase in cost to consumers of the CAP was difficult to quantify because subsidy for small farms, which might ordinarily go out of business or be subsumed by larger farms, may cause prices to be higher than they would be under a more liberalised system.⁴⁶ Evidence shows that there are some very modest impacts of the reduction of direct payments on production, and consequent price effects. For example, the Scenar 2020 project undertaken for the Commission showed that when it modelled the abolition of the single payment, agricultural land use in the EU declined by only 5%.⁴⁷ As this would be the most marginal land, the effect on production would be even less.
- 2.23 The Federation of Small Businesses argued that the cost of compliance with common standards must at some point be passed on to consumers and that the additional compliance costs hindered competitiveness when compared to external competitors.

Plant Health and the Single Market

- 2.24 The Scottish Government considered the benefits of the Single Market in the context of the increasing level of threat to plant health exacerbated by growth in international travel, increased trade in plant products and a changing climate. It thought that EU rules usefully set a baseline level of protection and facilitated trade within the Single Market. However it considered that the considerable variation across the EU in terms of the pests and diseases which were present and the variable effectiveness of enforcement efforts in different parts of the EU meant the chain of protection was only as strong as its weakest link, a point reinforced by participants in our Scotland workshop.⁴⁸ The Scottish Government argued that to protect high plant health status it was vital that basic EU rules could be supplemented by locally-tailored, science-based rules, which were supported and applied by stakeholders.

⁴⁴ Fresh Start Project, Chapter 3: *Common Agricultural Policy* (2012).

⁴⁵ OECD, *Agricultural Policy Monitoring and Evaluation* (2013).

⁴⁶ Fresh Start Project, *Chapter 3*.

⁴⁷ Commission, *Scenar 2020 – Scenario study on Agriculture and the Rural World* (2007).

⁴⁸ *Record of 26 November 2013 Workshop on the Scottish Perspective*. See Annex B for a list of participants.

2.25 Most attendees at our Plant Health and Plant Reproductive Materials (PRM) workshop said that EU competence was beneficial to ensure the functioning of the Single Market for plants and PRM.⁴⁹ They felt that trade in both ornamental horticulture and agricultural plant material had associated disease risks that came from the volumes traded and the pathways along which they were traded. In their view, EU measures such as plant passports which were designed to minimise risk were not perfect but generally did a good job in ensuring biosecurity. The Forestry Commission said that sometimes the requirement for free trade within the EU conflicted with our need to control movement of certain plants and plant products to prevent the entry of pests. In its view and that of the Food and Environment Research Agency (Fera), the present EU plant passporting system did not provide adequate protection from most pests and diseases once they became established in the EU.

Costs of EU Competence for Agriculture

2.26 This sub-section considers the evidence about the costs of EU expenditure on agriculture, particularly through the CAP. A large number of respondents provided evidence about the costs and their impact on farmers and growers, taxpayers and consumers. The CAP has historically been the major area of EU expenditure and remains a significant element in the EU budget, representing over 36% of the EU budget over the period 2014-2020.

The EU Budget and Abatement

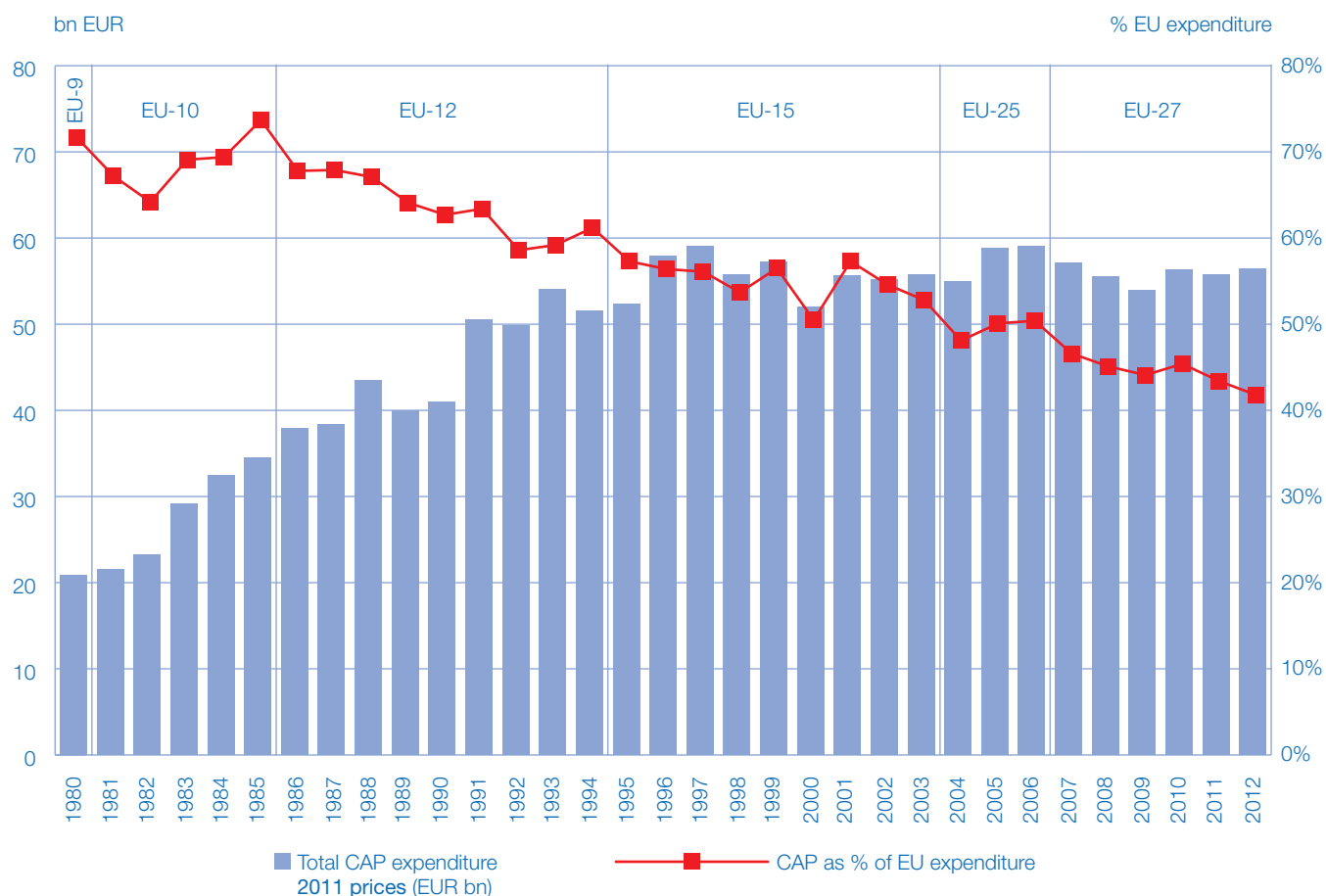
2.27 The UK contribution to EU expenditure on the CAP is complicated by two factors: that the UK does not contribute to the CAP per se, but to the overall EU budget; and that any UK contribution is net of the UK abatement, sometimes called the rebate.⁵⁰ This makes it difficult to estimate a net UK contribution to the CAP.

2.28 The CAP budget has declined in real terms over a number of years and the latest Multiannual Financial Framework agreement has reduced the budget further, both in absolute terms and as a percentage of the overall EU budget. Expenditure fell from just over 70% in the mid-1980s to just over 40% in 2012 as a share of the overall EU budget, as shown in Chart Three. However, this falling percentage share mainly reflects the real terms growth in the overall EU budget.

⁴⁹ *Record of 13 December 2013 Workshop on Plant Health and Plant Reproductive Materials*. See Annex B for a list of participants.

⁵⁰ There is a more complete discussion of the abatement in: HMG, *The Balance of Competences between the UK and the EU: EU Budget*, published in parallel.

Chart Three: Common Agricultural Policy spending (2011 prices), in €bn and as a share of total EU Budget



Source: European Commission (2013), Financing The Common Agricultural Policy. Available at: www.ec.europa.eu/agriculture/cap-post-2013/graphs/graph1_en.pdf, last accessed May 2014.

- 2.29 The Brussels and Europe Liberal Democrats argued that the proportion of the budget taken by the CAP was a corollary of the fact that Member States had asked the EU to implement two large policies (structural policy and CAP) and a collection of smaller measures, and described this as a ‘consequence of the conferral of particular competences by the Member States to the EU’.
- 2.30 Several respondents argued that assessments of the cost of the CAP needed to take account of what the UK received through the EU budget abatement. In the Senior European Experts Group’s view, the abatement, negotiated by the Prime Minister in 1984 in response to the budget distortions created by the CAP, had ‘neutralised’ for UK taxpayers a major part of the CAP’s net costs.
- 2.31 George Lyon MEP on behalf of Liberal Democrat MEPs set the CAP budget in the larger context of EU Budget negotiations, arguing that too often political effort had been concentrated on the size of the budget and the UK rebate and not enough priority and effort has been given to reforming how the EU budget was spent, including the CAP. There was support for this argument from the Institute for European Environmental Policy (IEEP), participants in our academic roundtable, and from attendees at our Brussels workshop who described the rebate as the ‘elephant in the room’ in CAP reform negotiations.⁵¹

⁵¹ Records of 10 January 2014 Academic Roundtable and 13 November 2013 Workshop in Brussels on the European Perspective. See Annex B for a list of participants.

Costs of the Common Agricultural Policy

- 2.32 As set out above, the CAP is a cost to consumers because import tariffs lead to higher food prices. The CAP is also a cost to UK taxpayers through the EU budget because of the requirement to fund subsidy payments to farmers. There are several estimates of the cost, of varying age and methodology. However, it is complicated to calculate the UK's contribution. The TaxPayers' Alliance produced an estimate of £10.3bn for 2007.⁵² This draws on the OECD consumer support estimate, an estimation of the UK share of the CAP budget, and additionally the costs of associated EU regulations in agriculture as well as an estimate of how higher food prices have contributed to the welfare bill through inflation. Open Europe estimated the cost to be €8.27bn in 2008.⁵³ This draws on the OECD estimates, and calculates a UK share of the CAP expenditure and consumer price distortions. The Senior European Experts Group, also basing calculations on the OECD work and an estimation of the UK share of the EU budget taking account of the abatement, estimated the total net cost to the UK of the CAP in 2012 at €3.3bn (£2.75bn) plus £2.9bn contribution to UK farmers' CAP receipts. The Fresh Start Project argued that the CAP cost around £45bn per year to all EU taxpayers.⁵⁴ Despite recent reforms which had begun to move the CAP towards a more market facing policy, Fresh Start argued it remained hugely bureaucratic and costly.
- 2.33 Most cost estimates are based, at least in part, on the support estimates calculated by the OECD. As well as estimating the support to producers from taxpayers via EU and national programmes, the OECD work estimates the extent of consumer support. In 2012, the transfer from consumers through higher prices was €16.4bn for the EU overall, compared with €75bn in 1986-88 in a European Economic Community of 12 Member States.⁵⁵ This however is only indicative of the cost of the CAP to consumers. It is intended to show the support to the agriculture sector, rather than the cost of CAP.

Direct Payments

- 2.34 A number of organisations argued that subsidy payments had a beneficial role in supporting farmers through income support. In their evidence, Field Barn and Hedge End Farms said that if EU single farm payments and environmental scheme payments were excluded, their farming business would have been loss making in two out of the past five years. Only one year in the past five would have been significantly profitable.
- 2.35 Financial support from the CAP 'remains of incredibly significant importance' for many farmers in the view of the NFU. It calculated that, on an annual basis, direct payments to UK farmers for the period 2014-2020 would amount to around £2.88bn.⁵⁶ It said that while over the past five years Total Income from Farming (TIFF) had increased, in 2012 CAP support payments still accounted for 68% of TIFF. Prior to 2007 CAP support was consistently greater than TIFF (see Chart Four).⁵⁷

⁵² The TaxPayers' Alliance, *Food for Thought: How the Common Agricultural Policy Costs Families Nearly £400 a Year* (2009).

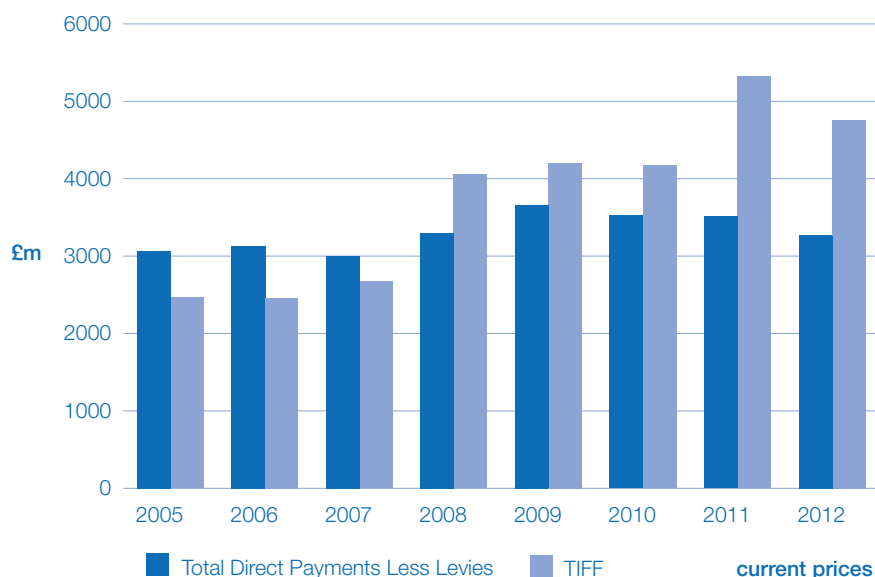
⁵³ Open Europe, *More for Less: Making the EU's Farm Policy Work for Growth and the Environment* (2012).

⁵⁴ Fresh Start Project, *Chapter 3*.

⁵⁵ OECD, *Agricultural Policy Monitoring and Evaluation* (2013).

⁵⁶ Exchange rate of €1: £0.8.

⁵⁷ Defra, *Total Income from Farming in the UK* (2013).

Chart Four: CAP support payments in relation to UK TIFF

Source: HMG, *Agriculture in the UK 2012*, cited in NFU evidence.

- 2.36 Participants at our Wales workshop argued that farming in Wales was not profitable without direct payments and that even with subsidies the average income was very low.⁵⁸ The Welsh Government said that it aspired to a domestic industry that had progressively less reliance on public subsidy but it had to recognise that competitor countries, within and outside the EU, still maintain substantial subsidies.
- 2.37 DARDNI said that the CAP provided essential support to Northern Ireland farmers, amounting to almost £300m annually, sustaining farming communities and traditional farmed landscapes with spill-over benefits for the broader rural society and economy. Attendees at our Northern Ireland workshop concurred and argued that in some cases direct payments represented 80% of farmers' incomes.⁵⁹ In DARDNI's view, any absence of support would need to be considered not just in terms of the simple loss of a financial injection into the rural economy, but also the much greater exposure of the agri-food and rural sectors to the damaging effects of very substantial income volatility.
- 2.38 However, it needs to be borne in mind that measures of farm income such as TIFF are derived after deductions for rent and that the comparisons above are static. They assume that in the absence of the CAP regime, farmers would not change their behaviour, and importantly land prices and rents would not change. Academics such as Professor Berkeley Hill and Professor Jean-Christophe Bureau pointed out that direct payments leak into land prices driving them up, a point echoed by the Forestry Commission, and that farmers have demonstrated a remarkable ability to adapt when circumstance change. A cut to CAP subsidies would lead to a fall in land prices and rents cushioning the blow to farm incomes, and alleviating one of the obstacles to new entrants such as young farmers. A significant fall in land prices would not however be painless, especially if farmers have borrowed against land values, and the adjustment of the industry could still involve some less competitive farms going out of business.

⁵⁸ *Record of 3 December 2013 Workshop on the Welsh Perspective*. See Annex B for a list of participants.

⁵⁹ *Record of 20 November 2013 Workshop on the Northern Irish Perspective*. See Annex B for a list of participants.

- 2.39 Participants in our Wales workshop argued that the benefits of direct payments multiplied through the wider rural economy.⁶⁰ A minority of participants at the EU Spend workshop thought Pillar One direct payments delivered public goods, for example supporting farmers' incomes and food production, and contributing to activity in rural economies.⁶¹ However, Open Europe argued that a number of studies had pointed out that the CAP has had 'a limited or outright negative impact on rural employment'.⁶² It cited OECD analysis which found that the CAP reforms which were agreed in 2003 had 'not increased jobs in the regions, at best they manage only to maintain the existing level of employment'.

Impact on Market Orientation

- 2.40 For many years, successive UK Governments have sought to encourage the UK farming industry to become more competitive and responsive to market signals. Several respondents argued that owing to successive CAP reforms farmers and growers were far more able to respond to market stimulus. However, others provided evidence about what they saw as the continuing negative impact of the CAP on the market orientation of farmers and growers, commenting on the extent to which it can insulate them from market forces.
- 2.41 The Fresh Start Project said that the worst excesses of previous CAP regimes had been substantially reduced and farmers were now 'far freer to react to market signals'.⁶³ Asda said that the move away from coupled support had allowed farmers and growers more flexibility to produce for the market. An attendee at the Brussels workshop argued that the CAP had sped up contraction of inefficient parts of the UK agricultural industry, for example, the Northern Irish dairy industry.⁶⁴
- 2.42 However the majority of respondents who commented on this issue took a different view. Wm Morrison Supermarkets plc contrasted the benefits of the Single Market, which promoted price competition between producers in different Member States, with the CAP. It argued that the CAP had undermined competitiveness by focusing almost entirely on supporting agricultural incomes without any link to production. It reported that evidence from its supply base of over 2500 UK beef and lamb farms showed 'clear dependence on the annual Single Payment Scheme payment', inhibiting the necessary consolidation and efficiency to make them internationally competitive. Clinton Devon Estates, a large rural estate and property business, said that many farmers had become habituated to support payments and large swathes of agriculture were entirely dependent on CAP payments. The Fresh Start Project cited OECD figures which showed that, although the EU had reduced its agricultural support to 22% of total farm income, because of the prevalence of small farms across the EU, for many farmers CAP support still accounted for up to 70% of a given farm's income.⁶⁵ Open Europe cited research which concluded that over 30% of UK farms would have a negative income without the CAP.⁶⁷
- 2.43 The Royal Society for the Protection of Birds (RSPB) argued that Pillar One payments worked against UK aspiration for a competitive farming sector because they shielded

⁶⁰ *Record of 3 December 2013 Workshop on the Welsh Perspective.*

⁶¹ *Record of 7 November 2013 Workshop on Spending at the EU Level.* See Annex B for a list of participants.

⁶² Open Europe, *More for Less*.

⁶³ Fresh Start Project, *Chapter 3*.

⁶⁴ *Record of 13 November 2013 Workshop in Brussels on the European Perspective.*

⁶⁵ Fresh Start Project, *Chapter 3*.

⁶⁶ This reduction is largely due to higher world prices for agricultural products rather than cuts in support levels per se.

⁶⁷ Open Europe, *More for Less*.

farmers from market demand and stifled innovation. In the view of Professor Berkeley Hill, removing direct payments from farmers, leaving them to depend on market returns and payments for providing environmental services, would address what he describes as ‘the central issue’ which he identified as being ‘how the poor performers are eased out of the industry’.

- 2.44 Attendees at our CAP workshop also felt that New Zealand and Australia provided examples of how agriculture could remain competitive without subsidies.⁶⁸ Some participants felt that in New Zealand, production and innovation improved significantly when the subsidies were removed and there had been investment to promote New Zealand products.⁶⁹ However others argued that the New Zealand reforms had had negative environmental consequences.
- 2.45 The Freedom Association also contrasted the situation of UK farmers with New Zealand. New Zealand has the lowest level of Government support to agriculture in the OECD at 1% of farm income.⁷⁰ It reported that strong international demand and favourable milk solid prices had prompted increased investment in New Zealand, and many farms had converted to dairy grazing from the less profitable sheep and pigs. This resulted in a 23% increase in the New Zealand dairy herd between 2007 and 2012 in contrast to the UK where the dairy herd had been reducing in size since the 1990s regardless of market conditions.

Equity Considerations and Historic Allocations

- 2.46 A number of respondents commented on what the CLA called the ‘unfairness’ of allocation of the CAP budget between Member States compared to contributions made by Member States. David Campbell Bannerman MEP said that the UK was a net contributor to the CAP and got a ‘bad deal’ from the CAP. He said that the UK, given the farmland it has, proportionately received only around six tenths of Germany’s CAP share while France received around a fifth of the entire EU budget.
- 2.47 The majority of participants at our academic roundtable argued that under any objective analysis, the CAP did not provide value for money.⁷¹ Attendees considered whether it was possible to achieve value for money when the current distribution of EU funding was a result of past distribution. They felt it did not make sense for the current CAP to be structured around compensating for previous arrangements when the aims and goals of the CAP were changing.
- 2.48 Open Europe said that the CAP was irrational in how money was raised and spent and there was no clear link between the wealth of a country and how much it received.⁷² It mentioned Lithuania, whose farmers were the poorest in Europe in absolute terms and received the third least from the scheme on a per hectare basis. However Open Europe also argued that there was no clear pattern of winners and losers. It said the UK did not do as badly as some other net contributors to the budget like Germany and Italy.⁷³

⁶⁸ *Record of 9 December 2013 Workshop on the CAP.*

⁶⁹ See Chapter One for an explanation of support arrangements in New Zealand.

⁷⁰ Cited by the Fresh Start Project, *Chapter Three: Common Agricultural Policy* (2012).

⁷¹ *Record of 10 January 2014 Academic Roundtable.*

⁷² Open Europe, *More for Less*.

⁷³ *Idem*.

Impacts on the Environment and the Delivery of Public Goods

- 2.49 A range of organisations such as the Institute for Archaeologists, RSPB, Soil Association, the Wildlife Trusts and the CLA set out arguments that public money spent through the CAP should be better focused on the provision of public goods which benefited society and the environment. They argued that there was market failure in the provision of public goods like support of the environment, wildlife, public health and climate regulation.
- 2.50 This view was supported by attendees at our CAP workshop who identified environmental protection and improvement, and research and development as especially important.⁷⁴ In 2011, the House of Lords European Union Committee said that ‘payments under Pillar One [of the CAP] should be made in return for delivery of public goods, responding to climate change, protecting biodiversity and encouraging environmental innovation’.⁷⁵ Linking Environment and Farming (LEAF) concurred that the delivery of public goods needed to be supported via the CAP, until it was internalised through market support, which in its view should be a focus for the next CAP reform.
- 2.51 Open Europe commented that the CAP marked a major and ongoing misallocation of resources with respect to delivering public and environmental goods.⁷⁶ The RSPB said that the budgetary split between Pillar One and Pillar Two, at the EU and Member State level, had little justification as numerous studies identified the lack of rationale and value for money from Pillar One payments whilst highlighting the positive delivery from well designed, funded and executed Pillar Two schemes, and the need to increase their funding.⁷⁷ It argued that the central justification for EU competence in agriculture was to create a framework to protect and enhance the environment and its natural resources, which in turn would underpin farming as a competitive and resilient industry. It saw as a key aspect of this approach, as yet unfulfilled, the importance of channelling adequate levels of support to systems of farming which were both environmentally and socially important. The Soil Association said that only a small share of the €53bn CAP budget was targeted at clear policy objectives.
- 2.52 The Wildlife Trusts set out the range of ecosystem services that farmers provided, for example flood management, water quality, carbon storage, important landscapes and biodiversity. They expressed concern that the CAP offered little to support the more marginal high nature value farming systems that they saw as critical for biodiversity and wider ecosystem benefits. The RSPB cited research by The Institute for European Environmental Policy (IEEP) which estimated that around €34bn per year would be required to cover the cost of environmentally beneficial land management on agricultural and forested land in the EU, rising to €43bn per year when supportive costs, such as advice provision were factored in.⁷⁸ It noted that Pillar Two represented the largest fund available in the EU for conservation measures but received just €12bn per year and not all of this funding was used to support more sustainable and wildlife-friendly land

⁷⁴ *Record of 9 December 2013 Workshop on the CAP.*

⁷⁵ House of Lords European Union Committee, *Innovation in EU Agriculture* (2011). See also the discussion on greening of Pillar One in section 2.3.

⁷⁶ Open Europe, *More for Less*.

⁷⁷ V. Zahrnt, *Public Money for Public Goods: Winners and Losers from Common Agricultural Policy Reform* (2009); Declaration by a Group of Leading Agricultural Economists, *A Common Agricultural Policy for European Public Goods* (2009); Jean-Christophe Bureau et al, *The Single Payment Scheme after 2013: New Approach – New Targets* (2010); IEEP, *Improving the Environmental Effectiveness of Rural Development Policy: Proposals for Legislative Changes*, Paper prepared for BirdLife International (2011); Land Use Policy Group, *Securing our Common Future through Environmentally Sustainable Land Management* (2009).

⁷⁸ IEEP, *Costing the Environmental Needs Related to Rural Land Management* (2011).

management.⁷⁹ In the UK the cost of meeting future environmental land management requirements was estimated to be in the region of three times the existing annual agri-environment budget.⁸⁰

- 2.53 Some participants in our academic roundtable said that if the CAP were linked with wider European land management policies, for example biosecurity, climate change and water policies, then spending at current levels as a proportion of Gross National Income would not necessarily be excessive.⁸¹ However, they also felt that if these policies were integrated properly, the funding would no longer be distributed in the same way.
- 2.54 Professor Alan Swinbank argued there was a lack of clarity in defining ‘what exactly is meant by a European public good’, although that had not stopped agricultural economists from advocating a reorientation of the CAP for the delivery of European public goods.⁸² In his view, the diversity of projects adopted by the Member States suggested that there was little pan-EU agreement on what constituted a European public good, although generally such projects involved environmental services that spilled over national boundaries.
- 2.55 Respondents presented evidence of both positive and negative impacts on the environment arising from EU competence on agriculture. Many stakeholders felt that there were examples of both. Some attendees at our CAP workshop argued that it had caused damage to the environment for example by encouraging overstocking and overproduction, removal of hedgerows and planting large areas of specific crops and that reform had tended to focus on the consequences instead of the causes of environmental damage.⁸³
- 2.56 The Wildlife Trusts argued that previous rounds of the CAP had promoted intensification of agriculture and led to a substantial decline in farmland biodiversity. They said there was evidence to show that agricultural production was reaching unsustainable limits in large parts of Europe. The RSPB argued that the bulk of the CAP’s budget actively subsidised unsustainable land management and had a significant negative impact on biodiversity and natural resources both in the short and longer term. The Wildfowl and Wetlands Trust outlined how in its early years the CAP had promoted ‘agricultural intensification’ across the EU, resulting in a simplification of the landscape, more specialised systems and considerable loss of wildlife.⁸⁴
- 2.57 Evidence was submitted about the positive environmental impacts of the CAP, primarily the funding provided through agri-environment schemes in Pillar Two, for example by RSPB, IEEP and Northern Ireland workshop attendees.⁸⁵ The Institute for Archaeologists flagged the benefits to the historic environment. The Wildfowl and Wetlands Trust outlined how the development of the agri-environment legislation which accompanied the 1992 CAP reforms had enabled progress towards a policy which better integrated food production, rural development and environmental protection.⁸⁶

⁷⁹ RSPB evidence to: HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change* (2014).

⁸⁰ *Idem*.

⁸¹ *Record of 10 January 2014 Academic Roundtable*.

⁸² Declaration by a Group of Leading Agricultural Economists, *A Common Agricultural Policy for European Public Goods* (2009).

⁸³ *Record of 9 December 2013 Workshop on the CAP*.

⁸⁴ Wildfowl and Wetlands Trust evidence to: HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change*.

⁸⁵ *Record of 20 November 2013 Workshop on the Northern Irish Perspective*.

⁸⁶ Wildfowl and Wetlands Trust evidence to: HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change*.

- 2.58 The RSPB saw as the most important environmental component of the CAP the legislative requirement for all Member States to offer at least one agri-environment scheme to farmers and land managers. It reported that the UK had essentially paved the way for this to happen in 1986 and that schemes developed in England had consistently led the field in terms of quality and had been highlighted as exemplary by the European Court of Auditors.⁸⁷ IEEP said that agri-environment schemes were an example of where the UK had 'provided thought leadership in the EU'. The RSPB said the requirement for 'less environmentally minded' Member States to undertake at least a basic level of agri-environment provision prevented a 'race to the bottom' in environmental management. It argued that the requirement also supported the UK's long term aspirations for the CAP by ensuring every Member State used a proportion of its CAP budget to support environmental public good delivery.
- 2.59 The Organic Research Centre said that the EU had driven forward both regulation and policy support for organic farming, creating a positive environment for the sector to develop. Attendees at our Wales workshop agreed that EU competence was necessary in order to embed wider environmental objectives in agricultural policy.⁸⁸ They said that cross-compliance ensured that farmers met environmental objectives.

Biofuels

- 2.60 Evidence was submitted about the effect of EU biofuels policies on agricultural markets and food prices. The range of evidence demonstrated that opinion was divided on whether or not EU competence on biofuels provided economic benefits or costs.
- 2.61 To the extent that biofuels and biomass policies result in an increase in aggregate demand for agricultural feedstocks and/or agricultural land, they will result in higher agricultural product prices over the medium term than would have otherwise been the case. Government analysis suggests biofuels support at the EU level could have a medium-term price impact on feedstocks used for biofuels production. Average EU wheat and oilseed prices are projected to be 5% and 17% higher than without EU biofuel policy with knock on impacts downstream in the vegetable oil market.⁸⁹
- 2.62 The RSPB, the Centre for European Reform, IEEP and Increment Ltd, agricultural consultants, argued that biofuels policy contributed to higher food and feedstock prices. In their view, this was the case both in the UK and in other countries because of competition between land used for food production and land used for biofuels production. RSPB and the Centre for European Reform (CER), quoting Oxfam, expressed particular concern about the impact on rising prices in developing countries of the staple foods wheat and maize. They also raised the issue of indirect land use change and its effects on food provision or climate change mitigation.

⁸⁷ European Court of Auditors, *Is Agri-Environment Support well Designed and Managed?* (2011).

⁸⁸ *Record of 3 December 2013 Workshop on the Welsh Perspective.*

⁸⁹ Defra, *Written Evidence to the Environment, Food and Rural Affairs Committee Inquiry into Food Security.*

- 2.63 However, the Renewable Energy Association challenged the modelling set out in the Call for Evidence for this report.⁹⁰ It said that it did not take into account the co-products from biofuels production, which provided a much needed source of vegetable protein; 3% of European cereal production was currently used for biofuels and this produced an equivalent quantity of high protein animal feed.⁹¹ The Renewable Energy Association and Agricultural Industries Confederation both quoted a figure of around a 1% effect on food prices.^{92 93}
- 2.64 There was a general consensus that EU biofuels policy had benefits for the agriculture sector both in terms of a market for crops used for biofuels and in redressing the deficit in the vegetable protein demand in the EU for animal consumption. However, the UK has not seen a large volume of biofuel from UK grown crops. From 2012-2013, UK crop derived biofuels made up only 112m litres of the total of 1,334m litres (roughly 8.4%).⁹⁴
- 2.65 The CLA agreed that EU policy created potential markets for biofuels, but felt that the lack of certainty in the EU and the UK over future biofuels policy hampered their development. The NFU added that while the Renewable Energy Directive 2009/28/EC provided the stability on which businesses invested within the biofuel supply chain, failure by government to understand market forces and their impact has led to a broad disillusionment on farm as well as within the wider biofuel industry.
- 2.66 This was particularly relevant to the lack of recognition of the possibilities of exploiting the co-benefit of vegetable protein, which could reduce the EU's dependency on imports. The NFU and Renewable Energy Association both noted this side benefit from biofuels production.
- 2.67 Finally, several respondents were concerned about the future impact of EU biofuels policy on carbon emissions and on long term food security due to decisions on land use by farmers, both in the UK and beyond.

⁹⁰ G. Davies, *Removing Biofuel Support Policies: An Assessment of Projected Impacts on Global Agricultural Markets using the AGLINK-COSIMO Model* (2012).

⁹¹ European Commission, *Balance sheets for cereals, oilseeds and rice*.

⁹² The Agricultural Industries Confederation cited unattributed German research.

⁹³ Ecofys, *Biofuels and food security – Risks and opportunities* (2013).

⁹⁴ Department for Transport, Renewable Transport Fuel Obligation Statistics: Year 5, Report 6 Data Tables.

2.2 Should Action be Taken at International, EU or National Level?

This section discusses the case for taking action at international, EU, national or sub-national level as made by those who submitted evidence.

- The first sub-section deals with the EU's role in global trade negotiations and agreements;
- The second sub-section summarises the evidence submitted about the appropriate level of decision making for specific areas of agricultural policy;
- The third sub-section summarises evidence submitted about the balance of competence for forestry.

2.68 A wide range of evidence was submitted about the level at which it was appropriate to make decisions about agricultural policy. The balance of opinion was in support of EU competence, with distinct arguments put forward about competence for global trade, plant health and plant reproductive materials and the different elements of the CAP. Forestry is an area of Member State competence and the very strong weight of evidence was that this situation should not be changed.

The Rationale for EU Level Action

2.69 Assessing the value of action in the area of agriculture requires an assessment of whether the action is undertaken at the appropriate level. This links to the fundamental EU principle of subsidiarity.⁹⁵ Participants at the academic roundtable argued that EU competence was appropriate for transboundary issues such as the environment, but local decisions should be made for detailed points of implementation.⁹⁶

2.70 The House of Commons Environment, Food and Rural Affairs Committee set out three reasons why it considered that it was essential that the EU retains a common policy on agriculture.

- i Maintenance of fair competition for agricultural products within the EU.
- ii The effect of agricultural policy on cross-border issues such as food security and climate change where action at a supra-national level is appropriate.
- iii Collective action enables the EU to be a major player in global agricultural trade.⁹⁷

2.71 The Bruges Group identified as 'a rule of thumb' that 'matters which do not cross borders or affect the Single Market for other countries should be left for the local authorities to deal with'.⁹⁸ Participants in our Northern Ireland workshop argued that the EU should outline a common framework for individual Member States and regions to use, with guidelines to implement policies according to local conditions.⁹⁹

⁹⁵ Article 5(3) TEU provides that, under the principle of subsidiarity, in areas of shared competence like agriculture, the EU shall act only if and in so far as the objectives of the proposed action cannot sufficiently be achieved by the Member States either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at EU level.

⁹⁶ *Record of 10 January 2014 Academic Roundtable.*

⁹⁷ House of Commons Environment, Food and Rural Affairs Committee, *The Common Agricultural Policy after 2013* (HC 2010-11 671-I).

⁹⁸ The Bruges Group, *Plan B for Europe – Lost Opportunities in the EU Constitution Debate* (2005) cited in the TaxPayers' Alliance, *Terms of Endearment: What Powers Would David Cameron Need to Repatriate to Make the EU Association Work?* (2011).

⁹⁹ *Record of 20 November 2013 Workshop on the Northern Irish Perspective.*

Global Trade and International Relations

- 2.72 A large amount of evidence was submitted about the role of the EU in international trade agreements and the benefits and disadvantages to the UK. Many respondents commented on the strength of the EU as a trading bloc of 28 Member States in forums such as the WTO and argued that the UK would have much less influence as an individual Member State. Others commented on how the EU treated agriculture in the course of reaching international agreements, for both good and ill.
- 2.73 Professor Alan Swinbank pointed out that trade policy was an exclusive EU competence meaning Member States could not unilaterally decide on import regimes or membership of other regional trade agreements. Professor Berkeley Hill expressed the view that as a free trade area in agricultural and many other commodities, it was appropriate 'to seek further agreements on an international level by the EU as a whole'. The Senior European Experts Group argued that the EU's multilateral and bilateral free trade agreements were hugely beneficial for the UK economy. Agriculture had formed an important part of these agreements, both in the pressure from other countries to reduce EU protection for agriculture and in providing key trade-offs which enabled the EU to secure improved access to other agricultural and non-agricultural markets. The Group identified particular impacts for agriculture including:
- Reduced import barriers, benefiting consumers, the food industry and the economy more widely;
 - Opened export markets and safeguarded intellectual property rights for UK farm and food products.

The EU as a Powerful Trading Bloc

- 2.74 A large majority of respondents argued that the EU should continue to have competence for international trade because the UK would have less influence negotiating alone.¹⁰⁰ Professor Rob Ackrill said that the UK benefited from the greater weight of the EU in international negotiations – in particular in terms of market access to third countries. Asda said that trade agreements were negotiated with alliances from other production regions and the combined scale of the EU was helpful in negotiating the best terms.
- 2.75 Participants at our consumer roundtable identified benefits for the consumer because the EU trading bloc could help to protect high standards and could sometimes create an opportunity to increase standards of third countries.¹⁰¹ They saw this as being true for food quality but also ethical considerations. Compassion in World Farming (CIWF) concurred that multilateral and bilateral EU trade agreements had the potential to expand market opportunities for UK farmers, especially for those who marketed products which built on the country's natural assets such as organic and high welfare, pasture-based farming. CIWF identified as a possible risk to UK farmers the possibility that the EU may be 'flooded by imports of cheap, inhumanely produced animal products'.
- 2.76 The NFU concurred that the strength of the EU trading bloc meant it was 'one of the major players in the global trade decision making arena'. It said the combined import-export value of agricultural goods in the Single Market was €203.5bn in 2011, compared to a UK combined import-export value of €70.8bn. The CLA said the EU's role allowed for the optimum agreement terms and allowed third countries to be assured that common

¹⁰⁰ See the cross-cutting discussion supporting this point in: HMG, *The Balance of Competences between the UK and the EU: Trade and Investment* (2014), paragraphs 3.4 – 3.8.

¹⁰¹ *Record of 18 December 2013 Roundtable on the Consumer Perspective.*

EU standards for agricultural produce reduced the risk of disease spread and health concerns. Fera argued that the UK's membership of the EU trading bloc put it in a stronger position than a single country when negotiating phytosanitary measures with third countries.

- 2.77 A cautionary note was struck by the FSB. It acknowledged that if the UK was not part of the EU then 'our voice would almost certainly not be as loud' in the context of international trade agreements. However it added that, by being part of the EU, the UK is 'subsumed in a very large and diverse area so the national voice is potentially not very loud'.

Agriculture and Global Trade Deals

- 2.78 A number of respondents submitted views about the impact of EU global trade policy on the agriculture sector. The CLA said that agriculture had been subject to unhelpful 'horse trading' in 'last minute deals' made by the WTO which had led to a disproportionate impact on EU agriculture compared to agriculture in other developed regions or countries, for example Brazil and Argentina. It added that this had been most apparent in the levels of market access for agriculture and food granted to third countries that had not been reciprocal.
- 2.79 The British Egg Industry Council said that free trade agreements often seemed to be based on the assumption that free trade was naturally good for all parties. However, in the UK the costs of egg production were a third higher than in the USA or Brazil. It argued that free trade in agricultural produce gave a huge advantage to third countries which had little or zero standards in animal welfare, food safety and environmental protection, particularly in egg products, raising the threat that the UK could lose a substantial portion of its egg production.
- 2.80 The Senior European Experts Group located the discussion about EU competence for trade in agricultural goods in the wider context of UK trade. It argued that agricultural concessions from the EU had been critical to securing trade deals that had brought major economic benefits to the UK, whether multi-lateral such as in the Uruguay Round or bilaterally and through ACP countries Partnership Agreements. DARDNI highlighted that trade negotiations generally encompassed more than just agriculture so there was usually a trade-off between sectoral interests in arriving at a final agreement. In its view the EU had demonstrated 'a keen concern not to grant unacceptable concessions within the sphere of agriculture and to seek balanced outcomes.' The report into the Balance of Competences for Trade and Investment sets out arguments put forward by the NFU in this area. The NFU credited the EU with negotiating for a balanced agreement on agriculture with Mercosur, in contrast to the UK Government, which, it says, had a strong commitment to concluding an agreement with Mercosur despite negative impacts on the agricultural sector.^{102 103}

¹⁰² Please see: HMG, *The Balance of Competences between the UK and the EU: Trade and Investment* (2014).

¹⁰³ Mercosur is a customs union between Brazil, Argentina, Uruguay, Paraguay and Venezuela.

Sugar Policy

Responses from the sugar sector provided contrasting views on the relative benefits of EU and national competence for sugar-related elements of agriculture and trade policies.

AB Sugar made the case that EU competence had ensured stability on the EU sugar market and so:

- Created a business environment which had encouraged the investment that helped deliver 60% productivity gains over the past 30 years;
- Delivered stable prices for EU sugar beet growers;
- Ensured a continuity of supply to consumers; and
- Provided developing countries with an outlet for their sugar cane exports.

Tate & Lyle Sugars on the other hand argued that EU competence had led to a policy that discriminated against sugar cane refiners. In particular, it said that the 2014 CAP reforms would remove restrictions on the sugar beet sector while very high tariffs on imports of sugar cane remained. In its view, the result would be:

- Contraction in the refining sector leading to a loss of high quality jobs;
- Reduced competition on the EU sugar market, thereby re-enforcing existing high prices for consumers and industrial sugar users; and
- Developing countries would lose a major market for their sugar cane exports.

Against that background, Tate & Lyle Sugars suggested that sugar market policy should be repatriated to the UK as that was likely to lead to a more liberal trade regime. Marina Yannakoudakis MEP made a similar argument.

The EPA-EBA London Sugar Group commented that the recent CAP reforms were detrimental to sugar suppliers in developing countries and demonstrated a lack of coherence between EU agricultural, trade and development policies.

In its September 2012 report the House of Lords EU Committee concluded that neither the beet nor the cane sectors should continue to be protected.¹⁰⁴

The Government agrees with the House of Lords and welcomed the recent CAP reform agreement to abolish sugar beet quotas. However, the lack of comparable action to remove import restrictions on cane imports is a significant concern and the Government will continue to press for tariff liberalisation in the context EU trade policy.

EU Agriculture Policy and the World Trade Organisation

2.81 EU rules for agriculture (including payments to farmers) and trade in agricultural products are governed by the rules of the WTO. Respondents saw this as being positive in preventing market distortion and maintaining a level playing field for EU and UK farmers and growers. The EU's approach to subsidies is necessarily influenced by subsidy regimes in other countries. Attendees at our CAP workshop put it in these terms, 'while the rest of the world chooses to support its agricultural sector, the EU also has to act'.¹⁰⁵ They argued

¹⁰⁴ House of Lords European Union Committee, *Leaving a Bitter Taste? The EU Sugar Regime* (2012).

¹⁰⁵ *Record of 9 December 2013 Workshop on the CAP*.

that the USA, for example, claimed to have a 'free, unsubsidised' agricultural sector but the US government often intervened. The CLA described this as massive US dependence on price stabilisation schemes and publicly assisted income assurance.

- 2.82 The Fresh Start Project argued that there were still protectionist policies for EU producers such as a wide range of tariffs to protect the agricultural industry from global competition.¹⁰⁶ It said that under WTO rules, tariffs on agricultural products were set at maximum levels although the EU has freed up access substantially to ACP countries. However, despite this, tariffs on imports from non ACP countries remained high, averaging 15.4% and dairy products and fruit and vegetables could reach as high as 156%. This increased costs for consumers or kept cheaper produce out of the EU.

Scotch Whisky

The Scotch Whisky Association reported that it had identified over 450 tariff and non-tariff barriers affecting Scotch Whisky in more than 150 of its export markets outside the EU. Future export growth for Scotch Whisky was therefore heavily dependent on the removal of trade barriers through the trade policy and market access work of the Commission. Of particular importance to the industry are the free trade agreements and Economic Partnership Agreements which can secure tariff liberalisation and the elimination of many non-tariff barriers together with the protection of Scotch Whisky as a geographical indication.

Trade in Plants and Plant Reproductive Materials

- 2.83 There was general agreement among respondents that EU competence for international trade in plants and plant reproductive materials (PRM) was appropriate. The British Society of Plant Breeders argued that as plant breeding and seeds were global industries and PRM moved around the world constantly then harmonised EU legislation for PRM and plant health was essential to the UK so that there could be free movement with no barriers to trade. KWS UK Ltd said that in the plant breeding sector, agreements with non-EU countries were very relevant, for example OECD equivalence with EU seed certification schemes was essential for international trade outside of the EU. The Agriculture and Horticulture Development Board also recognised the need for EU and national legislation to comply with international rules set by the International Plant Protection Convention or the WTO in order to facilitate EU trade with third countries. The Senior European Experts Group said that there was a hierarchy of governance reaching from the WTO's Sanitary and Phytosanitary Agreement through the EU to the Member States. The underlying aims were to safeguard against the spread of pests and diseases whilst facilitating commerce. The SEEG concluded that the arguments for devolving powers to lower levels were not convincing.

EU Agriculture Policy – Levels of Decision Making

- 2.84 This section summarises the evidence put forward about the appropriate level of decision-making for the kind of measures that make up the three key elements of the CAP: the Single Common Market Organisation, direct payments and rural development.

Single Common Market Organisation

- 2.85 Professor Alan Swinbank argued that there was a strong logic that a common set of support prices and market regulation measures should be applied to stop Market Price Support for agricultural products causing competitive disturbances in the Single Market. In his view EU, rather than national funding of the policy would be preferable, as spending

¹⁰⁶ Fresh Start Project, *Chapter 3*.

on Market Price Support in one Member State supported prices elsewhere. He argued that if EU rules did not exist then some more interventionist oriented Member States might unilaterally introduce their own protectionist policies.

- 2.86 DARDNI agreed that the rationale for continuing EU competence was very extensive trade in agricultural products within the EU, facilitated by a common policy framework which sought to avoid distortions of competition. Professor Berkeley Hill said that market decisions had to embrace the entire territory of the EU. He suggested that for issues that were more local, the system of an international framework combined with the opportunity to tailor to locality may be useful. The framework ensured consistency in aspects that might lead to distortions in competition.

Direct Payments

- 2.87 Professor Harald Grethe has argued that the current CAP subsidy regime is over-centralised: ‘the economic nature of direct payments has changed fundamentally: they have changed from a product[ion] subsidy to a sectoral and personal income policy’. He argues that ‘sectoral and personal income transfer policies, such as income tax systems, social security systems or sectoral subsidies [...] are generally designed and financed at the Member State level, not at the EU level’. In his analysis therefore, EU responsibility for fully decoupled payments is in conflict with the subsidiarity principle.¹⁰⁷
- 2.88 In evidence submitted to the Balance of Competences Report into the EU Budget, Professor Cillian Ryan concurred that the de-linking of agricultural payments from production meant that this was now effectively a form of internal transfer similar to unemployment benefit or a state-pension.¹⁰⁸ There was therefore no longer an EU market-regulatory role regarding potentially distorting production subsidies. As a result, he argued the EU should withdraw from this spending and individual states should be free to decide whether and how to support rural living (subject to guidelines on avoiding distortionary production subsidies).
- 2.89 The TaxPayers’ Alliance also argued that subsidy payments should be the responsibility of national governments because that would increase accountability. Thus governments could continue to pay their farmers subsidies out of their own tax revenue. A consequence could be that ‘Governments of other EU Member States might then find their electorates take more of an interest in how their money is being spent’.¹⁰⁹
- 2.90 Wm Morrison Supermarkets plc argued that the direct payment regime was a significant inhibitor to the emergence of a competitive beef and lamb sector in the UK. It argued that spending could be specifically targeted at areas which increase on-farm/inter-farm productivity, but that many of the required incentives for example to increase efficiency would fall foul of State aid rules and other aspects of the CAP.
- 2.91 However, the Scottish Government favoured EU competence because EU State aid rules ensured that there could not be an ‘arms race’ of competing national subsidies for farming. The Senior European Experts Group concurred that EU competence was necessary to set limits on the quantity and form of subsidy payments so as to secure fair competition and underpin the Single Market.

¹⁰⁷ H. Grethe, ‘Agriculture Policy: What Roles for the EU and the Member States?’, *Subsidiarity and Economic Reform in Europe* (2008), pp.191-218.

¹⁰⁸ Professor Cillian Ryan evidence to: HMG, *The Balance of Competences between the UK and the EU: EU Budget*, published in parallel.

¹⁰⁹ The TaxPayers’ Alliance, *Food for Thought*.

Rural Development

- 2.92 One of the rationales for action to be taken at the EU level is where transboundary effects are at stake. Professor Harald Grethe identified a role for EU competence in some agri-environmental measures because there are environmental goods that are transboundary, for example addressing global warming, rivers that cross borders and some biodiversity measures.¹¹⁰ This was supported by LEAF.
- 2.93 The RSPB said that shared natural resources such as biodiversity, air, carbon stores and water required a cross border approach. It argued that EU competence for agriculture, land management and plant health was clearly justified because these resources required an international framework for environmental protection and enhancement. The CLA said that CAP funding for agri-environment measures may not be achievable at a local level.
- 2.94 The Wildlife Trusts agreed there were transboundary issues with regard to biodiversity and identified two further reasons for European competence. They referred to the 'longer view' that Europe was able to take compared to Member State governments and the need for coherence of agriculture policy with 'parallel key European policies', for example the Water Framework Directive 2008/98/EC.
- 2.95 The RSPB agreed that the EU was better able to take a long-term view and said that EU competence for agriculture helped to shield environmental investment from changes in government, and political priorities, at the Member State level. It argued that environmental funding was often one of the first things to be cut when savings needed to be made but the environment required consistent and long term investment. Its view was that EU competence, although still subject to political wrangling, was much better equipped to allow this to take place.
- 2.96 However, stakeholders argued from a localist perspective that rural development policy did not need to be managed at the EU level. Professor Harald Grethe argued that most non-environmental rural development measures are 'of a rather local nature regarding their effects and the problems they address' and the preferences of the Member States vary quite considerably, so there is no need for the policy to be centralised.¹¹¹ He acknowledged that the distinction between transboundary and local environmental goods could not be made easily.
- 2.97 The NFU said that elements of rural development including policy objectives of enhanced environmental outcomes, rural growth and forestry could be better served at the national level. The European Movement said that if subsidies to agriculture were understood as social and environmental policies, then the competence for distributing these more naturally lay at national level. It said that the future CAP should focus on limiting subsidies to ensure that free trade within the Single Market was not disrupted.
- 2.98 Professor Berkeley Hill's evidence countered these arguments, and stated that on both CAP Pillars there was already room for considerable flexibility of geographical differentiation by UK country. He highlighted that Pillar Two provided for a possible further (sub) regional level of programme design and application to meet more local needs. The Senior European Experts Group said it must be right that responsibility for drawing up, implementing and co-funding rural development programmes should be devolved to the Member States and – in the UK's case – on to Scotland, Wales and Northern Ireland. Similarly the Scottish Government argued that the very rationale of Pillar Two was that programmes in each Member State or region should be designed to meet the specific environmental, economic and social challenges faced by that area.

¹¹⁰ H. Grethe, 'Agriculture Policy', pp.191-218.

¹¹¹ Idem.

Plant Health and Plant Reproductive Materials

- 2.99 The Tree Health and Plant Biosecurity Expert Taskforce found that ‘threats to tree and plant health have increased with globalisation [...] there has been a marked increase in the volume and diversity of plants and plant products entering the UK. UK imports of live plants, foliage, branches, and other plant parts have increased by 71% since 1999. In 1996, the import value of the trade in live plants was £113m (£157m in 2011 prices. This has increased to £287m in 2011, a real rise of 83% in 15 years (data from HMRC trade statistics).’ According to the Tree Health and Plant Biosecurity Expert Taskforce, this comes with ‘an increased likelihood of plant pests and pathogens being introduced, spreading through gardens, crops, and woodlands and potentially causing serious damage to our native flora or commercial crops.’¹¹² A number of respondents submitted evidence about how the risks from increasing trade should best be managed.
- 2.100 The Ornamental Aquatic Trade Association argued that the UK should seek to retain the competences required to ensure that measures taken were the least restrictive to trade necessary to achieve a given objective. The Fresh Produce Consortium identified a role for the EU in terms of providing a strategic approach to plant health controls with shared responsibility with individual EU Member States to allow them flexibility in prioritisation of resources and actions.
- 2.101 The British Society of Plant Breeders (BSPB) reported that UK companies breeding major agricultural crops increasingly worked on a pan-European basis, exchanging material between programmes in different countries. It argued that regulation at EU level enabled this to happen easily and cost effectively, as well as ensuring a level playing field with competitors elsewhere in Europe. BSPB said that trade in plant reproductive materials must be regulated at EU level because it was a global industry in which international trade was an everyday occurrence, so working with many different sets of national legislation should not even be contemplated.
- 2.102 KWS UK Ltd said that EU trade in plant products in a single market was only possible through plant health legislation that protected biosecurity and provided a legal framework for the plant health inspectorate to operate. The harmonised EU plant health legislation was very much in the UK biosecurity interest and to act on a national basis could significantly increase risk to the UK. The NFU agreed that threats to plant health were best met by greater co-operation and co-ordination at EU level and globally on data sharing, standards, inspections and monitoring.
- 2.103 The Horticultural Trades Association (HTA) argued the picture was less clear. It reported that ornamental horticulture operated in a global trading environment and common rules on plant health were vital to facilitate international trade. It therefore made sense for basic rules to be set at an international level. HTA thought it was questionable whether this should be done at the EU or WTO level but felt probably at the EU level for practical reasons. However, HTA recognised that national interests could vary so the ability for individual countries to take action to protect their particular interests was also important.

¹¹² Tree Health and Plant Biosecurity Expert Taskforce, *Final Report* (2013).

Forestry

2.104 Forestry remains a Member State competence and there is no provision in the Treaties for an EU common forestry policy or legislation in respect of forests or forest management. Nonetheless, the forestry sector is impacted by a range of policies which are subject to EU competence. The Forestry Commission identified the principal relevant EU policy areas as agriculture, environment, climate change, energy, plant health, trade and research. A number of respondents submitted evidence about the impact of the current balance of competences and the interaction with EU policy regimes.

2.105 The RSPB said EU competences in agriculture and biodiversity protection had important influences on forestry policy and its delivery mechanisms at UK level.¹¹³ However, the Wildlife Trusts argued that the short term nature of each CAP and rural development funding cycle, coupled with uncertainty surrounding future budgets and land management schemes, did not work well with the long-term nature of forestry and woodland management. This point was also made at our Scotland workshop.¹¹⁴ The CLA identified the main issue for the forestry sector with regards to Member State competence as the fact that the sector was subject to policies and regulations derived from areas where the EU did have competence. The most notable of these, in its view, was environmental regulation which meant the forestry sector ended up being reactive and had suffered from ‘damaging’ EU regulation such as the Habitat Regulations.

2.106 The Forestry Commission identified a number of specific impacts on forestry from areas of EU competence. Disadvantages included:

- EU support for forestry comes via the CAP Rural Development Regulation, so it is not primarily focused on the needs of the forestry sector;
- State aid rules constrain the ability to support the forestry sector through public funding;
- Regulatory requirements such as the Environmental Impact Assessment Directive and compliance with environmental Directives has contributed to the burden on the sector.

2.107 Benefits identified by the Forestry Commission included:

- Protection of important habitats and species has been strengthened;
- EU competence for climate change had raised the importance of forestry as a mechanism to sequester carbon and mitigate the effects of climate change and also as a source of renewable energy; and
- The advent of new EU markets for wood for sustainable energy has provided a major boost to UK forestry.

2.108 The NFU argued that current arrangements for national competence on forestry should be maintained. It felt the UK had acted in a flexible way to engage on EU policy areas which have an impact on forestry and the development of the EU Forestry Strategy, and

¹¹³ The RSPB cited three examples: co-financing of woodland management and planting of trees under Regulation 1305/2012 on Support for Rural Development; conservation and enhancement of wildlife under Directive 2009/147/EC on the Conservation of Wild Birds and Directive 1992/43/EEC on the Conservation of Natural Habitats and of Wild Fauna and Flora; and the requirement for environmental assessment of forest and woodland removal under Directive 2011/92/EU on the Assessment of the Effects of Certain Public and Private Projects on the Environment and Directive 2001/42/EC on the Assessment of the Effects of Certain Plans and Programmes on the Environment.

¹¹⁴ *Record of 26 November.*

there was no evidence to suggest the current arrangements were not functioning, or were damaging English forestry. Strong support for maintaining national competence on forestry had come from some of the EU's most heavily forested countries, including Finland, Sweden, Germany and Austria. A review of subsidiarity recently carried out by the Dutch Government concluded that forestry policy was primarily a matter for national governments. It suggested that if any proposals were put forward they would probably be rejected on the grounds of subsidiarity.¹¹⁵

2.109 The British Association for Shooting and Conservation argued the current system worked very well and there was no benefit from changing. While Confor argued that current EU legislation impacting on forestry was 'unhelpful at best and occasionally very damaging', it also argued that forests were much more complex than fields of a single crop or livestock, and there was huge variety between Member States. Therefore trying to introduce elements of commonality across the EU would be very difficult.

2.110 The Welsh Government argued that the mix of responsibilities between the EU and Member States in relation to forestry issues has meant that there is not a single coherent framework in place to address forestry issues. It believed this had led to a complex and fragmented approach to forestry with the potential to impact negatively on the forestry sector. The European Forest Institute published a report into governance of forestry in the EU in 2013.¹¹⁶ It identified two key issues:

- Lack of coordination and coherence while policy objectives for forestry were expanding; and
- Some inconsistency of policy goals.

The Institute argued that the absence of EU competence made it challenging to develop a more comprehensive international EU forest-focused strategy.

2.111 The UK has worked closely with other Member States to ensure that policy across the EU is coherent whilst competence is respected. In particular, the UK pushed for greater coherence in forest related policies coming out of the different Directorates General of the Commission when negotiating the EU Forest Strategy, to prevent unnecessary burdens on UK forest owners and managers that can arise from conflicting or overlapping EU policies. Both the EU Forest Strategy and the EU positions for negotiations for a Legally Binding Agreement on Forests in Europe have reiterated the importance of maintaining Member State competence on forestry.

¹¹⁵ Government of the Netherlands, *Testing European Legislation for Subsidiarity and Proportionality policy Note* (2013).

¹¹⁶ European Forest Institute, *European Forest Governance – Issues at Stake and the Way Forward* (2013).

2.3 Does the Existing Way of Making and Implementing EU Policy Work?

This section looks at the processes for making and implementing EU policy and legislation and how they affect the UK.

- The first sub-section looks at decision making processes and the balance of responsibilities between different EU institutions;
- The second sub-section summarises evidence about implementation of EU legislation such as the costs of delivering the Common Agricultural Policy and the enforcement of plant health regulations;
- The third sub-section considers evidence submitted about the flexibility and proportionality of EU rules.

EU Processes

2.112 There were a range of views about how effectively the different EU institutions work with each other and the impact on effective policy making and delivery. This is an area where many respondents were critical of the EU and its institutions, citing issues such as:

- Slow pace of decision-making and implementation;
- Risk that political agreement is rewritten through drafting of implementing and delegated legislation; and
- Policy incoherence within the Commission.

The Council and the European Parliament

2.113 The Senior European Experts Group said it was difficult to draw conclusions about the balance of decision making between the Council and the European Parliament given that the recent CAP reform was the only major piece of EU agricultural legislation that had been jointly agreed by them. However it felt it was clear that neither the Council nor the European Parliament had been a force for the kind of 'radical change the UK was hoping to see.' The Food and Drink Federation said that EU decision-making procedures were slow and could result in 'suboptimal outcomes'. It felt this was aggravated by the new, enhanced role played by the European Parliament and by EU expansion to 28 Member States. The NFU agreed, arguing that governance arrangements for EU agricultural policy were 'close to impossible' and that over the course of the most recent CAP negotiations, the European Parliament and Council had introduced thousands of amendments furthering individual interests.

2.114 KWS UK Ltd argued that recent action by the European Parliament with respect to the plant reproductive material proposals suggested that the balance of decision making between the Council and the European Parliament was malfunctioning. In its view the European Parliament did not appear to be representing the proposals of Member State governments and rather represented political ideologies of MEPs. The British Society of Plant Breeders argued that plant reproductive materials was an area of specialist legislation in which generally the Council had a level of detailed understanding that the European Parliament did not.

2.115 The Agricultural Industries Confederation said experience to date suggested that the increased involvement of the European Parliament had been disadvantageous. In its view, on issues such as genetic modification, CAP reform and the review of legislation around plant health, plant reproductive material and official controls, the European Parliament was generally unsupportive of an evidence-based, sound science approach to agricultural legislation.

- 2.116 However, the Brussels and Europe Liberal Democrats, European Movement and RSPB argued that the decision-making arrangements under the Ordinary Legislative Procedure, described in Chapter One above, improved democratic accountability and transparency. The European Movement added that the UK national interest that lay in ‘open and transparent decision-making’ would be enhanced by the new role of the European Parliament whereas decision-making in the Council on agriculture was ‘notoriously opaque’. The Farmers’ Union of Wales considered that the influence of the European Parliament was positive, allowing MEPs to explore the implications of policy within their own Member States.
- 2.117 Professor Jean-Christophe Bureau argued that recent experience showed that the European Parliament’s role was collectively damaging. He said the UK role in the Council was more in favour of the general interest, but the Council was dominated by Member States captured by the farm lobby. Professor Berkeley Hill expressed the hope that in the long term, the European Parliament would take a less sectoral view of issues, and decisions would no longer be shaped by the Council and the Directorate General for Agriculture and Rural Development in the Commission (DG AGRI), both of which, he said had tended to be pro-farmers and in favour of the status quo, rather than embracers of radical reform.
- 2.118 LEAF was concerned that UK citizens were insufficiently engaged with their MEPs, considering the European Parliament’s influence in the EU legislative process. RSPB agreed it was vital that the UK public had greater awareness and engagement in order to maximise the benefits of ‘this enhanced democratic process’.
- 2.119 The Food and Drink Federation said that the trilogue mechanism for resolving differences between the institutions introduced a lack of transparency in the latter stages of decision making.¹¹⁷ This could result in provisions being agreed without the benefit of adequate consultation and impact assessment at earlier stages.

Role of the Commission in Developing Legislation

- 2.120 The Organic Research Centre expressed concerns about Commission initiatives to reform regulations with inadequate consultation with stakeholders. Attendees at the CAP and Brussels workshops raised concerns that between political agreement being achieved at Council and the final drafting of legislation, changes could happen to policy.¹¹⁸ This raised questions about the extent to which it was possible to be certain about what political agreement would actually lead to, as well as questions about how effectively Member States were able to input into this part of the EU legislative process.
- 2.121 The Horticultural Trades Association highlighted that the EU often sought to retain delegated powers. It said this could only be acceptable if the EU had the knowledge and understanding of the effects, possibly unintended which legislation could have on industry, and it was not confident this was the case. The NFU argued that the introduction of ‘delegated’ acts which conferred greater powers of implementation on the Commission was a further backward step in the EU governance landscape.¹¹⁹

¹¹⁷ The trilogue is an informal meeting attended by representatives of the European Parliament, the Council and the Commission. The purpose of the trilogue is to identify a package of amendments acceptable to all three institutions.

¹¹⁸ *Records of 9 December 2013 Workshop on the CAP and 13 November 2013 Workshop in Brussels on the European Perspective.*

¹¹⁹ Article 290 TFEU provides for EU legislation to delegate to the Commission the power to adopt acts ‘to supplement or amend certain non-essential elements’ of that legislation. The scope of this power has been the subject of disagreement between the EU institutions.

UK Representation in the Commission

The National Farmers' Union and Brussels and Europe Liberal Democrats commented on the low number of UK nationals within the Commission.¹²⁰ In their view this meant that understanding of how the UK economy, environment and society works, and UK knowledge of agricultural economics and perspective on trade and the role of the market was not influencing the internal formulation of EU policy.

Policy Coherence

- 2.122 ClientEarth noted that EU competence in the field of environment was enshrined in the Treaties and that the integration principle, set out in Article 11 TFEU, provided that environmental protection with a view to promoting sustainable development must feature in the design and formulation of EU laws and policies including in the agriculture sector.¹²¹ Catherine Bearder MEP said that greater efforts must be made to integrate an environmental dimension into the development of policies for agriculture. In her view, the EU had really struggled to address the environmental impacts created by these sectors, especially concerning the CAP.¹²² The British Ecological Society argued that individual Directives could be linked with others to benefit the UK and EU environment more widely for example linking the Water Framework Directive with the CAP.¹²³
- 2.123 Attendees at our Plant Health and PRM workshop said that the EU ought to have a more coherent approach to policy for non-native invasive species in the context of plant health.¹²⁴ Attendees at the Scotland and Wales workshops commented on the lack of coherence between DG AGRI and DG SANCO.¹²⁵ The Wildlife Trusts argued that lack of coherent working between the European Parliament's agriculture and environment committees had poorly served the interests of the natural environment during the CAP reform process.
- 2.124 The House of Lords EU Committee identified policy incoherence in the Commission as a serious obstacle to agricultural innovation. The Committee said that the European Commissioner responsible for agriculture and food must ensure that the need to promote innovation in EU agriculture was respected by other parts of the Commission.¹²⁶
- 2.125 The report on the Balance of Competences for Development Cooperation and Humanitarian Aid outlined in detail the EU's commitment to Policy Coherence for Development.¹²⁷ This requires the EU institutions and Member States to take account of development objectives in non-development policies that were likely to affect developing countries, such as agriculture.

¹²⁰ European Commission, *Statistical Bulletin*. Available at: www.ec.europa.eu/civil_service/docs/europa_sp2_bs_nat_x_grade_en.pdf, accessed March 2014.

¹²¹ Evidence to HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change*.

¹²² *Idem*.

¹²³ *Idem*.

¹²⁴ *Record of 13 December 2013 Workshop on Plant Health and Plant Reproductive Materials*.

¹²⁵ *Records of 26 November 2013 Workshop on the Scottish Perspective and 3 December 2013 Workshop on the Welsh Perspective*.

¹²⁶ House of Lords European Union Committee, *Innovation in EU Agriculture* (2011). Nineteenth Report (2010-2012, HL 171).

¹²⁷ HMG, *The Balance of Competences between the UK and the EU: Development Cooperation and Humanitarian Aid* (2013).

2.126 In its evidence to that report, the African Development Bank cited the continued distortion of the agriculture sector by the CAP and the impact on agriculture beyond the EU.¹²⁸ The CER remarked that the EU had aimed to make all of its policies coherent with its strategy for development since 2005, but the OECD had found in 2012 that the Commission was still not doing this well enough in agriculture. CER argued that the EU should remove tariffs and quotas which exclude produce from developing countries.¹²⁹ The Trades Union Congress expressed concern over export subsidies, tariff barriers and domestic support and their impact on developing nations' ability to compete on international markets including on those in the EU.¹³⁰

2.127 David Campbell Bannerman MEP drew attention to the adverse effects of the CAP's import tariffs and export subsidies on EU trade imbalance with the developing world. He cited an estimate produced by the Catholic Agency for Overseas Development that without the CAP the EU would be able to retarget around £400m of its development aid away from compensating subsistence farmers. However, the Brussels and Europe Liberal Democrats and George Lyon MEP on behalf of Liberal Democrat MEPs said that the issue of dumping of EU food surpluses on developing world markets was an area where the CAP had been reformed.

Regulation of Plant Protection Products and GMOs

2.128 A number of respondents focused on specific issues about how the EU regulates the impact of farming on the environment. Two key areas were plant protection products (pesticides) and regulation of GMOs.

2.129 The Crop Protection Association argued that the implementation of new legislation, the Plant Protection Products Regulation 1107/2009 in 2011 had greatly increased the complexity of the regulatory process for pesticides. The introduction of hazard-based cut-off criteria for active substances as well as the comparative assessment of products would lead, it argued, to a substantial reduction in the availability of crop protection solutions. It argued this could have potentially important implications for international trade and the competitiveness of EU, and thus UK, agriculture. The NFU characterised the EU approach on plant protection as overly precautionary, and needing to take a risk based approach. As discussed in the Report on the Balance of Competences for Environment and Climate Change, the Prime Minister's Business Taskforce also recommended that the EU should introduce a process for the evaluation of plant protection products that is based on scientific risk assessment alone.¹³¹

2.130 The EU Plant Protection Products Regulation 1107/2009 includes a requirement for the Commission to report to the European Parliament and Council on the functioning of a number of key aspects of the Regulation and, if necessary, to make legislative proposals. That report is required to be delivered by the end of 2014. The Government believes that this review should be assigned a high priority given that this Regulation provides the cornerstone of the EU pesticides regime. All parties need a clear and evidence-based picture of its impact so that they can ensure that the Regulation supports a competitive

¹²⁸ African Development Bank evidence to HMG, *The Balance of Competences between the UK and the EU: Development Cooperation & Humanitarian Aid Report*.

¹²⁹ Centre for European Reform evidence to HMG *The Balance of Competences between the UK and the EU: Development Co-operation and Humanitarian Aid Report*.

¹³⁰ Trade Union Congress evidence to HMG, *The Balance of Competences between the UK and the EU: Development Cooperation & Humanitarian Aid Report*.

¹³¹ HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change*, and 'Cut EU Red Tape': *A Report From the Business Taskforce* (2013).

and productive agriculture sector, while protecting human health and the environment. The review should also look closely at the impact of current EU legislation on the future availability of pesticides for EU farmers.

- 2.131 The issues raised by how the EU has legislated for the commercial production of GMOs has caused a lot of controversy and there has been discussion in the two previous Balance of Competences Reports into Animal Health and Welfare and Food Safety, and Environment and Climate Change.¹³² A substantial amount of evidence has also been submitted to this report and we have not revisited the topics discussed in earlier reports.
- 2.132 The CLA saw the issue as a failure of enforcement of harmonised rules. It also raised concerns that some Member States were appealing positive GMO approvals and this was a disincentive to investment. David Campbell Bannerman MEP reported estimates of the financial impact of not introducing genetically modified crops into the EU as costing farmers approaching €1bn annually. He cited a study by Reading University which put the cost at between €443m and €929m whilst the Swedish Government's worst case scenario was €2.25bn. The Agriculture Biotechnology Council argued that the backlog in approvals for GM products created a blockage to the commercialisation and export of agricultural innovations by UK research centres, contributed to rising food prices, and undermined the international competitiveness of UK and European farmers.
- 2.133 In contrast the RSPB argued that the EU's precautionary stance to GMOs was appropriate given the scale and scope of potential long-term risks to health and the environment.
- 2.134 The UK Government's view is that GM crops that have been assessed as being safe should be allowed to be cultivated. The European Food Safety Authority conducts independent, scientific risk assessments but even when these raise no concerns, approval is not agreed by a majority of Member States. The UK Government believes this lack of agreement has led to a blockage in the approvals process, which is deterring innovation and attainment of the benefits that GM crops could deliver. There is work ongoing to improve the situation, which should allow those Member States that wish to opt out of GM cultivation to do so, while allowing others like the UK Government to accept GM crops. The Government hopes there will be an agreement on this as soon as possible.

Implementation and Enforcement

- 2.135 Respondents to the Call for Evidence and workshop participants reflected on their experience of the implementation of EU legislation. The FSB said the EU approach required many levels of audit and therefore many different interpretations which were costly to UK businesses in terms of compliance requirements. Open Europe commented on the costliness of administering the CAP because of its size and complexity.¹³³ It reported that independent analysis published by the Commission calculated that the administrative cost of the Pillar One Single Payment Scheme was €4bn a year, 10% of total subsidies paid out.¹³⁴ Civitas estimated that in 2009, the average cost of processing an individual Single Farm Payment claim in the UK was £742, even for payouts as small as £5.¹³⁵ The Welsh Government agreed that the means of implementation of the CAP were sometimes over-specified, which could lead to excess bureaucracy.

¹³² HMG, *The Balance of Competences between the UK and the EU: Animal Health and Welfare and Food Safety and HMG, The Balance of Competences between the UK and the EU: Environment and Climate Change*.

¹³³ Open Europe, *More for Less*.

¹³⁴ *Idem*.

¹³⁵ Civitas, *EU Facts: Common Agricultural Policy* (2013).

- 2.136 George Lyon MEP on behalf of Liberal Democrat MEPs argued that administrative costs should be reduced through the simplification of farm inspections. Currently, farm businesses could be subject to inspection by the EU Court of Auditors, Commission auditors from DG AGRI, payment agencies and certification bodies in the Member State. The Institute for European Environmental Policy argued that existing EU field inspections were needed but could be applied far too rigidly and needed to be adapted to the realities of environmental features on farms.
- 2.137 Robin Wilson said that the cost of UK and EU administration of schemes was far too high compared with any benefit from the form filling. He said that simpler not more complicated systems were needed, but that the EU only ever added complexity. The Farmers' Union of Wales reported that its members were increasingly concerned at the level of micro-management through EU regulations which had a negative impact on the efficiency of the farming industry, at farm level and along the supply chain as a whole.
- 2.138 In discussion of cross-compliance, the RSPB argued that it was a significant step that should act as a powerful incentive to abide by EU standards, however it outlined several concerns. It considered that inspection rates were 'deplorably low', an issue highlighted by the European Court of Auditors,¹³⁶ and estimated that owing to the criteria for selection, farms may only be inspected once every one hundred years. It argued this level of inspection failed to act as a meaningful deterrent to environmental crime or mismanagement. It also said that cross-compliance rules could have a disproportionate impact on livestock producers, including extensive grazing systems, which were typically of greatest environmental value. It said that up to 100% of the CAP payment could be withdrawn as a penalty but there was no requirement on the land manager to take remedial action to address any environmental damage caused. RSPB felt that cross-compliance needed to be radically improved to meet its concerns.
- 2.139 In discussion of enforcement of CAP rules at the Brussels workshop, attendees said that action needed to be taken to improve the quality of enforcement across the EU, supported by information sharing. There were suggestions of staging posts, early infraction warnings and more power at EU level.¹³⁷

Better Regulation

- 2.140 A number of respondents submitted evidence about the extent and quality of EU legislation and commented on the UK approach to implementation.¹³⁸ Alvis Bros, farmers and cheese makers, said there was too much regulation from both the EU and UK and argued that bureaucracy needed to be removed.
- 2.141 The CLA's view was that previous experience of CAP implementation in the UK suggested a tendency to 'gold-plate' EU rules, that is, when EU legislation is adopted by the UK, detail is added that was not required by the original policy. It argued that in comparison with other Member States the UK tended to be far too prescriptive and to extend the scope of EU legislation. The Fresh Produce Consortium, Fresh Start Project and NFU also submitted evidence about gold plating in the UK.¹³⁹

¹³⁶ European Court of Auditors, *Is Cross-Compliance an Effective Policy?* (2008).

¹³⁷ *Record of 13 November 2013 Workshop in Brussels on the European Perspective.*

¹³⁸ The Farming Regulation Task Force Implementation Group published its final assessment of the progress made by the Government to reduce regulatory burdens on farmers in England in April 2014. The Group found that 'whilst Defra sought reduced regulatory burdens in [CAP] negotiations, what has come out of the CAP negotiations will see a significant increase in burdens on farmers from the greening and other detailed aspects of the new policy.'

¹³⁹ Fresh Start Project, *Chapter 3.*

- 2.142 In his December 2013 interim report on the 'Doing Better Initiative to Reduce Red Tape in Agriculture' in Scotland, Brian Pack OBE reported a perception (shared in the Commission) that in the UK there was a tendency to 'gold-plate' EU legislation concerning agriculture.¹⁴⁰ However, Mr Pack noted that his review had asked expert interviewees, stakeholders and the public for concrete examples but had come up with few examples. This was with the exceptions of very prescriptive measures in Rural Priorities in the Scottish Rural Development Programme 2007-2013, and the decision in Scotland to use a three day deadline for cattle movement notifications.¹⁴¹
- 2.143 Tozer Seeds Ltd, a vegetable breeding company and seeds supplier, said that the EU approach was neither beneficial nor detrimental, especially if the rules were determined as a Regulation, which is directly effective in all Member States, and not a Directive which leaves it to Member States to choose the way in which to implement the EU requirements. It said that the over-regulation of the vegetable seeds industry added unnecessary costs and fees but the situation was more or less the same across the EU.

Red Tape Challenge

The Red Tape Challenge is a Government priority to cut unnecessary regulations. The agriculture theme was open for comment for seven weeks from July – September 2013. A full list of the legislation which the Government proposes to change can be found in the Defra Red Tape Challenge Agriculture Theme proposals.¹⁴²

Common Agricultural Policy

Simplifying legislation: Defra proposes to revoke 11 pieces of obsolete legislation.

Minimising burdens: Defra will work to ensure that implementation of the reformed CAP will minimise burdens for farmers.

Plant Health

Export Certification for Seeds: in discussion with exporters Fera is reviewing the approach to seed sampling undertaken prior to export certificates being issued.

Plant Health Inspections: The Government's view is that the Commission's proposal to revise and strengthen the current plant health regime has the potential to introduce a new regime more consistent with the UK's aims of achieving faster decision making; better risk targeting; and more co-operation between plant health inspectorates across the EU and between plant health and customs services.

Pesticides

The Government agrees with the argument made by respondents that the system for approvals of pesticides should be harmonised as far as possible across Europe to ensure equal access to products for all European farmers, and that the approvals process should be based on likely real field risk.

¹⁴⁰ B. Pack OBE, *Doing Better Initiative to Reduce Red Tape in Agriculture* (2013).

¹⁴¹ *Idem*.

¹⁴² Defra, *Red Tape Challenge Agriculture Theme Proposals* (2014). These proposals are for England only. Many of the proposals are subject to further consultation.

Greening Pillar One

2.144 A specific issue that attracted a wide range of evidence was the rules for greening of the direct payments regime in Pillar One of the CAP.¹⁴³ This is a new concept agreed as part of the changes to be implemented from 2015.

2.145 A widely held view was that greening was a poorly designed policy instrument that took insufficient account of the situation of farmers and growers in the different Member States. The Fresh Start Project argued that the greening proposals had been made primarily to justify the Commission's wish to maintain funding for agriculture at roughly current levels.¹⁴⁴ Attendees at our CAP workshop concurred with this view and questioned whether the measures would deliver environmental gains.¹⁴⁵ They also argued that the crop diversity requirements which were part of greening risked making agriculture less competitive in the UK. Open Europe criticised greening as a one size fits all measure, arguing that the blanket requirement on crop diversity and fallow land would not be able to accommodate differences in biodiversity needs of Member States.¹⁴⁶

2.146 Other respondents, however, argued that greening was an important part of the CAP at an EU level. Some participants at our EU Spend workshop argued that the introduction of greening of direct payments did provide additional justification for use of public money, particularly in Member States where agri-environment schemes did not work as well as they did in the UK.¹⁴⁷ George Lyon MEP on behalf of Liberal Democrat MEPs strongly supported greening of Pillar One but criticised the narrow focus of the final package on biodiversity measures.

Differential Interpretation

2.147 Plant Health and PRM workshop attendees felt that there needed to be more common interpretation of EU rules.¹⁴⁸ They said that within the plant health and plant reproductive materials policy areas, the balance of competence was not the issue, instead problems arose from differential enforcement of EU laws in different Member States. Whatever the legislative regime, participants said the priority was for UK businesses to be able to import and export plant materials with the same quality and efficiency levels as continental competitors. In relation to exports to third countries, some attendees noted issues arising from different levels of controls across Member States. For instance the ease of obtaining certification in support of seed exports, a Member State competence, differed significantly between Member States, as did costs of permits.

2.148 The Horticultural Trades Association said it did not believe that there was a level playing field in terms of plant health, particularly in terms of inspection and enforcement of the current rules by different Member States. It said that 'anecdotal evidence' suggested that some Member States were much less diligent in their plant health service than the UK and this could be evidenced by the different numbers of interceptions being reported by different Member States.

¹⁴³ Outlined in paragraph 1.34, 'greening' requires that 30% of direct payments are dependent on meeting environmental practices.

¹⁴⁴ Fresh Start Project, *Chapter 3*.

¹⁴⁵ *Record of 9 December 2013 Workshop on the CAP*.

¹⁴⁶ Open Europe, *More for Less*.

¹⁴⁷ *Record of 7 November 2013 Workshop on Spending at the EU Level*.

¹⁴⁸ *Record of 13 December 2013 Workshop on Plant Health and Plant Reproductive Materials*.

Flexibility and Proportionality

Flexibility is the desire to reflect local conditions and allow scope for national policy choices in implementation. Essentially, it is the balance between maintaining a level playing field for competing businesses in the Single Market and acknowledging that one size does not fit all.

Under the principle of **proportionality** the content and form of EU action must not exceed what is necessary to achieve the objectives of the EU Treaties (Article 5(4) TEU).

Flexibility

- 2.149 The balance of evidence in this area was that flexibility was desirable in principle, but in practical implementation it could lead to disadvantages for UK farmers and growers. DARDNI argued that it was essential that regional flexibility continued to evolve whilst safeguarding against potential internal distortions of competition. The Scottish Government said that the EU had accepted that a one size fits all approach to the CAP would be untenable, and welcomed the introduction of more local flexibility in many parts of the policy. It saw this as particularly important for those parts of Europe where conditions are most different from the European average. A key UK Government objective for the CAP reform agreed in 2013 was to maintain regional decision making over implementation in the different parts of the UK.
- 2.150 Northern Ireland Environmental Link said the one size fits all approach risked bringing about unintended negative outcomes for the environment.¹⁴⁹ It argued that the Northern Ireland farmed landscape had suffered from policies designed to tackle issues associated with the spread of large scale intensive practices prevalent elsewhere in Europe, such as the calculation of eligible Single Payment Scheme area. Attendees at our Northern Ireland workshop argued that the EU policy-making process was not flexible enough for Member States' local situations, giving the example of heather moorland, which the Commission had designated as ineligible grazing land.¹⁵⁰
- 2.151 The CLA said that flexibility in the recent CAP deal meant the CAP was 'decidedly uncommon'. Whilst it welcomed flexibility to some extent, it felt the variation between Member States had become stark. It cited the 'unacceptable' example that some Member States would be able to move funds from Pillar Two to Pillar One, whilst other Member States would do the opposite. In its view, this fundamentally distorted any level playing field between Member States. The Food and Drink Federation concurred that the adoption of varying approaches could have a detrimental impact for England's agri-food and drink chain and required careful monitoring.
- 2.152 The Farmers' Union of Wales argued that mechanisms originally intended to secure a level playing field need to be implemented in practical ways which had market commonality as their objective. It argued that with regard to many EU regulations, a 'fear of over-zealous auditors and draconian levels of disallowance' resulted in implementing authorities making risk-averse decisions.
- 2.153 Rural Payments Agency staff cited the example of the EU's approach to Member State's IT systems for administering the CAP. They reported that IT infrastructure and databases were not prescribed in advance, although the EU provided technical guidelines. However, the EU reserved the right to penalise Member States if they were seen to have erred. They argued that if the EU had developed the systems it would protect Member States from the penalties.

¹⁴⁹ Northern Ireland Environmental Link evidence to: HMG, *The Balance of Competences between the UK and the EU: Environment and Climate Change*.

¹⁵⁰ *Record of 20 November 2013 Workshop on the Northern Irish Perspective*.

- 2.154 Participants in our Plant Health and PRM workshop identified problems with the one size fits all approach.¹⁵¹ They said that the application of EU plant health legislation in all Member States meant that northern EU countries had to enforce legislation for prevention of pests that only survived in southern countries. They felt that there ought to be better ways of controlling plant pathogens in areas where they were unlikely to establish. Participants viewed zoning and regionalisation as key for a more successful regulatory regime (see the section on plant health in Chapter One).
- 2.155 The NFU said that the EU proposal to develop a Priority Pest list without regionalised categorisation of pests would be a one size fits all approach to pest prioritisation which was likely to be inappropriate to UK needs. The Fresh Produce Consortium (FPC) said that EU plant health controls did not always take into account regional differences, citing the example of the Commission's control measures on EU imports of South African citrus because of the potential risk from Citrus Black Spot.¹⁵² The FPC argued that in this case there was no risk to UK growers as the UK cannot grow citrus commercially. In its view, a risk based approach would ensure that citrus growing regions of the EU were protected, whilst allowing continued trade for non-citrus growing countries such as the UK and the Netherlands. Fera and the Agriculture and Horticulture Development Board also supported this argument, and argued that inspection for the disease was irrelevant and costly to the UK.
- 2.156 However, other attendees at the Plant Health and PRM workshop argued that despite the difficulty of applying EU rules in the ornamental sector, they needed to be applied across all sectors to minimise disease risk.¹⁵³ Two reasons for strictly applying the rules were brought forward: (i) some ornamental plants are also used in the agricultural sector; (ii) disease can jump between species. Despite the difficulty in a one size fits all approach, some argued that there was value in applying the rules universally.
- 2.157 Several participants at the Plant Health and PRM workshop stated that they favoured EU Regulations over Directives as Regulations are directly applicable in all Member States and in their view better facilitate a level playing field.¹⁵⁴ Tozer Seeds Ltd agreed that Regulations would better enable it to compete on equal terms with large multinational companies based in Europe, whereas Directives allowed for too much interpretation and variation. The Agriculture and Horticulture Development Board agreed, but emphasised it was important that Regulations were not overly prescriptive. KWS UK Ltd argued that moving from Directives to Regulations would be an improvement, as long as decision making powers for implementing rules were retained within the Council where nationally elected governments could negotiate taking national interests into account.

¹⁵¹ *Record of 13 December 2013 Workshop on Plant Health and Plant Reproductive Materials.*

¹⁵² Citrus Black Spot is a fungus which affects citrus plants in subtropical climates.

¹⁵³ *Record of 13 December 2013 Workshop on Plant Health and Plant Reproductive Materials.*

¹⁵⁴ *Idem.*

Proportionality

- 2.158 The Farmers' Union of Wales said that the 'disproportionate interpretation of regulations' often led to appeals and sometimes court cases which were costly to administer. It argued that Member States and regions which sought advice from the Commission on the interpretation of EU regulations were told to refer to their own lawyers, rather than benefiting from clear guidance at an EU level, yet were simultaneously threatened with disallowance if their interpretation was incorrect. They felt this inevitably resulted in the 'gold-plating' of regulations.
- 2.159 Rural Payments Agency staff said that Financial Correction often referred to as disallowance could be based on over-zealous interpretation of the EU legislation by EU auditors, and brought the principles of proportionality into question. They argued that the processes for remedial action were far too lengthy as even if ultimately the European Court of Auditors ruled in the Member State Paying Agency's favour, the Paying Agency was likely to have spent significant sums mitigating the risk of an alternative ruling. They stated that the role of the European Court of Auditors was extremely important in ensuring that EU funds were properly used but the system of consequences needed to be proportionate.
- 2.160 The Scottish Government identified the EU regulatory regime for plant reproductive material as an area where the balance between the benefits and drawbacks of EU action had been lost over time. It said the benefit for farmers and growers of having confidence in the seeds they purchase had become outweighed by the burdens created by an over-complex EU system that had failed to modernise. The Welsh Government concurred that improvement was needed in the simplicity and streamlining of EU requirements. This would ensure the regulatory requirements were appropriate and affordable to the different kinds of material and the different parts of the industry, for example the same rules governing the commercial trade were not necessary for the amateur gardener.

Plant Reproductive Materials

We received over 140 evidence submissions from home gardeners and allotment holders primarily about the Commission's proposals for new regulations governing marketing of plant reproductive materials. The legislation is mainly for consumer protection, setting out the quality and identity requirements which seed and other plant reproductive materials must meet before they can be marketed. Respondents argued that the proposals were disproportionate for material for home gardeners and smallholders. Three main arguments were set out.

- i. The regulatory and financial burden on gardeners and on the businesses specialising in supplying them with plant reproductive materials

Individual respondents plus the Ornamental Aquatic Trade Association, Incredible Edible Wreccsam and the Horticultural Trades Association argued that there was no need to require an 'Officially Recognised Description' for all ornamental varieties.¹⁵⁵ They argued that the current proposals to require all varieties to have an officially recognised description or distinctness, uniformity and stability test would result in unsustainable costs for gardeners and specialist companies of £500 to £3000 per seed variety. Tozer Seeds Ltd said the sector already had consumer protection legislation which supported high standards, and argued that further legislation was a 'financial burden' to industry.

- ii. Limits to market access for small-scale producers

Most respondents argued that the proposed regulations would restrict the ability of small-scale suppliers to serve the demand of gardeners and specialist seed merchants for unique varieties. The one size fits all approach was thought to be inefficient, failing to take into account the UK's climatic differences and the requirements of gardeners and smallholders regarding plant varieties. The Presteigne Allotment Association highlighted that many of the plant varieties grown commercially were not suitable for home growing and therefore the same rules should not apply. Respondents proposed that the identity and quality of seeds and plants intended for garden use, such as ornamental plants grown by horticultural suppliers of specialist heritage nurseries, should be monitored at national or regional levels.

- iii. Negative impacts on genetic diversity and consumer choice by removing varieties from the marketplace

Respondents argued that the proposals risked homogenising the sector and negatively affecting the genetic and biological diversity of crop and ornamental plants. There was a view that the EU proposals endangered the UK's specialist nurseries and heritage varieties, leading to a reduction in consumer choice. A number of respondents made the point that access to a wide range of varieties was important to increase UK resilience to risks from climate change and new pests or diseases.

The UK Government is negotiating for a proportionate, flexible and simplified approach to the new legislation. The principal UK objectives are to make things simpler and to achieve positive outcomes for businesses and gardeners alike. For vegetable seed sold to gardeners, the objective is a lower level of regulation, without any requirement for variety registration, while maintaining sufficient consumer protection. If this does not succeed, the alternative amendment is for simpler registration requirements for varieties developed for gardeners, much as the current legislation. For ornamentals marketed under a variety name, the objective is to retain the current simpler provisions, with some updating.

¹⁵⁵ Incredible Edible Wreccsam is an informal network of individuals and groups aiming to provide public access to local food.

Chapter 3: Future Opportunities and Challenges

This chapter is divided into two sections. The first summarises respondents' views on the most important future challenges and opportunities for agriculture, plants and forestry policy. The second summarises the evidence submitted about alternative approaches to the balance and exercise of competence in these areas.

Respondents considered a number of challenges:

- Food security;
- Environmental sustainability;
- Climate change;
- Global trade;
- Innovation, research and development.

Most of these were central to the discussion in the Foresight report on *The Future of Food and Farming*.¹⁵⁶

The second section of this chapter on alternative options summarises ideas put forward about radical reform of the CAP or possible alternative arrangements with other EU Member States.

Food Security

3.1 Many organisations and individuals identified food security as a pressing future challenge for agriculture.¹⁵⁷ By 2050 there could be a global population of over nine billion people. Population increases coupled with increasing urbanisation and changing diets will put pressure on limited resources to respond to the challenge of supplying sufficient food to meet demand. Recent projections state that globally, demand for food is expected to increase by around 38% by 2030 and by 60% by 2050.¹⁵⁸

3.2 The UK Government's approach to UK and global food security highlights the importance of open, growing, competitive global and domestic food markets. Efforts to meet future demand will need to be sustainable. The Government is investing significantly in research

¹⁵⁶ Foresight, *The Future of Food and Farming* (2011).

¹⁵⁷ Please see, for example: the Fresh Start Project; Asda; CLA; British Society of Plant Breeders; and Tessa Champion.

¹⁵⁸ Nikos Alexandratos and Jelle Bruinsma, Food and Agriculture Organisation of the United Nations. *World Agriculture Towards 2030/2050: the 2012 Revision* (2012).

and development to support appropriate new technologies, and working to reform agriculture and environmental policies, such as the CAP, to ensure they are fit for purpose.

- 3.3 While some respondents argued for increased agricultural production, there was disagreement about whether intensification needed to be focused at the UK, EU or international level. George Lyon MEP on behalf of Liberal Democrat MEPs called for concerted action at European level to produce more food, whereas the Wildlife Trusts argued that increased production was needed in poorer countries such as South Africa and in Asia. In 2009, the House of Commons Environment Food and Rural Affairs Committee argued that Europe had ‘a responsibility to contribute to global food supplies and the EU must ensure that European countries are in a position to respond to increased demand’.¹⁵⁹ The Food and Drink Federation said the EU arguably needed a common sustainable food policy, which took account of the supply chain as a whole and the global context in which food and farming industries operate.
- 3.4 The NFU said that the impact of increased domestic food production on global food security would be relatively small. Nevertheless, it considered that UK actions had global implications and we should capitalise on our ‘comparative advantages such as our historic farming legacy, climatic conditions and world leading scientific credentials’.
- 3.5 The Farmers’ Union of Wales said that by design the CAP provided the framework to allow 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’. The House of Lords EU Committee emphasised the need to align national and EU-level strategies on food production to prevent conflicting priorities and obstacles to effective innovation. Strategies must be sensitive to the diversity of EU farming and food production systems, and should be framed within EU guidelines.¹⁶⁰ The CLA called for Defra to provide leadership in Europe to shape emerging EU policy on food security, as all the major policies affecting this area were decided at an EU level, for example the CAP, trade and environmental policy.

Environmental Sustainability

- 3.6 Where respondents commented on food security, they also identified the need to balance increased production with a sustainable approach that reduced the environmental impact of agriculture. Pressure on resources will require production of more food using less land, fertiliser, water and pesticides. RSPB raised particular concerns about the pressure of intensification on the natural environment, for example on biodiversity. The Wildlife Trusts called for a shift towards more sustainable farming systems to combat challenges such as water scarcity, flooding, decline in pollinators and soil erosion.
- 3.7 The NFU said it had ‘long argued’ that meeting expected global demands to produce more food, but with less of an impact on the environment is ‘one of the biggest challenges facing farmers and growers’. Some organisations argued the case for an ecosystem approach to sustainable land management. (Ecosystem services are the processes by which the environment produces resources used by humans, such as clean air, water, food and materials.) The CLA argued that there was a need to look at new ways to pay for ecosystem services, as many of these public goods and services are underprovided as the market fails to incentivise their use.

¹⁵⁹ House of Commons Environment, Food and Rural Affairs Committee, *Securing Food Supplies* (HC 2008-9 1022).

¹⁶⁰ House of Lords European Union Committee, *Innovation in EU Agriculture* Nineteenth Report (HL 2010-2012, 171).

Climate Change

- 3.8 The challenges for the agriculture sector of adapting to climate change and contributing to climate change mitigation were raised by a large number of respondents. Globally, agriculture uses 70% of fresh water and creates 30% of global greenhouse gas emissions, across the supply chain, and is the main driver of deforestation and land use change which impacts on climate change and biodiversity.¹⁶¹ There is therefore a need to support productivity improvements and the drive towards sustainable intensification, reductions in post-harvest losses and climate-smart technology to support both global and UK food security.¹⁶²
- 3.9 The CLA argued that climate change was likely to mean a reduction in agricultural land, through processes such as sea level rise and changes in rainfall patterns. The Fresh Produce Consortium reasoned that climate change would also increase the potential spread of pests and diseases which would require prioritisation of limited resources and be a further challenge to sustainable food production.
- 3.10 The RSPB set out the need to reduce total greenhouse gas emissions from agriculture in order to play an appropriate role in climate change mitigation. It identified the need to adapt to climate change in environmentally sound ways. George Lyon MEP on behalf of Liberal Democrat MEPs argued that CAP greening measures need to be broadened to incentivise the reduction of greenhouse gases from agriculture. The Wildlife Trusts argued that agriculture should remain an EU competence in relation to climate change, as greenhouse gas emissions from agriculture accounted for 10% of emissions in Europe.
- 3.11 The House of Lords EU Committee Report into adapting to climate change argued that the sustainable intensification of agriculture should be the defining characteristic of the future CAP.¹⁶³ The report found that the EU had a useful part to play in helping Member States to share information on adaptation approaches, and in monitoring the impact of climate change on agriculture and forestry across the EU. However, it also recommended that the CAP should not support agriculture in areas where productive capacity can be maintained only at unacceptable environmental and economic cost. Scotland workshop participants suggested that a risk insurance scheme, following the American model of pooled resources, might help farmers to adapt to future pressures from climate change.¹⁶⁴
- 3.12 The Committee on Climate Change 2013 report into land use and a changing climate found that if future farming practices are not adapted the UK's ability to produce food would be at risk.¹⁶⁵ While it recognised the potential opportunities of higher temperatures and longer growing seasons, the report argued that farmers would need to adapt to take advantage of this potential. Key advice was to ensure the efficient management of water and soils on farms, as well as control of pests and disease.
- 3.13 The Crop Protection Association identified an opportunity from climate change. While Europe already has one of the highest levels of potential agricultural productivity in the world, it found that climate change projections show this level will become even more favourable over the next 50 years.

¹⁶¹ Foresight, *The Future of Food and Farming*.

¹⁶² *Idem*.

¹⁶³ House of Lords European Union Committee, *Adapting to Climate Change: EU agriculture and forestry* 8th Report, Volume 1 (HL 2009 – 2010 91–I).

¹⁶⁴ *Record of 26 November 2013 Workshop on the Scottish Perspective*.

¹⁶⁵ Committee on Climate Change Adaptation Sub-Committee, *Managing the land in a changing climate – Progress Report* (2013).

Global Trade

- 3.14 Globalisation and the growth of international trade, including in the global food and plant markets, presents both challenges and opportunities in the view of many respondents.¹⁶⁶ The Senior European Experts Group advocated trade liberalisation externally through the WTO. DARDNI felt that future trade liberalisation had the potential to expose the agricultural sector to greater competitive challenge, but also to greater market volatility.
- 3.15 The CLA and CAP workshop participants identified the Transatlantic Trade and Investment Partnership agreement (TTIP) as an opportunity and a challenge for the future of the CAP.¹⁶⁷ The Report into the Balance of Competences for Trade and Investment details the wider economic benefits and strategic rationale behind TTIP.¹⁶⁸
- 3.16 On the other hand, some individuals and consumers raised concerns about the increasing liberalisation of trade and commercialisation of agriculture. Judy Martin and Tessa Burrington argued that too much influence resided with large corporations and there was inadequate consultation with small-scale farmers.
- 3.17 The Wildlife Trusts, NFU, and British Potato Trade Association identified the increased risk to plant health biosecurity, from diseases, non-native pests and pathogens, as a key challenge of globalised plant trade. Both RSPB and the NFU also identified the challenge of reduced availability of plant protection products and suitable alternatives to combat future biosecurity issues.

Innovation, Research and Development

- 3.18 A significant prospect for the future was the EU's role in innovation, research and development. For some organisations, the authorisation of GM technology represented an opportunity to tackle key issues such as food security, climate change and plant biosecurity.¹⁶⁹ The CLA argued that GM techniques could not only increase production, but protect biodiversity and contribute to animal welfare.
- 3.19 Beyond GM, the NFU argued for an integrated approach to new and emerging biotechnologies to meet UK specific production challenges, or combat weeds, pests and diseases and the stresses associated with climate change. It was concerned about how the EU regulatory system would deal with new biotechnologies. The potential for biotechnology to be used in livestock breeding was also significant in dealing in an integrated way with both exotic and endemic diseases.
- 3.20 Organisations raised the benefits the UK had received from EU research and development funding.¹⁷⁰ Hybu Cig Cymru, the Senior European Experts Group and NFU particularly welcomed the future opportunities afforded to UK agri-food research by Horizon 2020, the EU's €80bn research and innovation programme (2014-2020).
- 3.21 The Agricultural Industries Confederation (AIC) said the continued debate over the role of technology in agriculture risked destabilising an effective research and development

¹⁶⁶ Please see, for example: AB Sugar; the Food and Environment Research Agency; and the Wildlife Trusts, *submissions of evidence*. Also, *Brussels workshop and Northern Ireland workshop*.

¹⁶⁷ The Transatlantic Trade and Investment Partnership is the free trade agreement currently under negotiation between the EU and USA. *Record of 9 December 2013 Workshop on the CAP*.

¹⁶⁸ HMG, *The Balance of Competences between the UK and the EU: Trade and Investment*, published in Semester 2.

¹⁶⁹ For instance British Society of Plant Breeders, Agricultural Biotechnology Council, KWS Ltd.

¹⁷⁰ For instance: *Plant Health and PRM Workshop*; *Northern Ireland Workshop*; *Brussels Workshop*. Also: IEEP and the Food and Environment Research Agency, *submissions of evidence*.

base in the UK and EU. It argued that this was already impacting on companies' interest in investing in the EU, which threatened future investment in the crop protection and plant breeding sectors. The AIC argued that it was necessary to devolve some decision making to the national level.

Alternative Approaches to Policy

- 3.22 As demonstrated in Chapter Two, many organisations argued for a continuation of shared competence for agriculture between the EU and the UK.
- 3.23 However, a number of respondents also put forward ideas about how the CAP needed to be reformed or the balance of competence reconfigured to deliver more for the UK national interest. The evidence considered a range of relationships between the UK and other Member States, from a new trading relationship with the Single Market, to strategies for achieving UK objectives in future rounds of CAP reform. As discussed in the Report into the Balance of Competences for the EU budget, the UK Government has consistently argued for a substantial reduction in the size of the EU budget allocated to the CAP.¹⁷¹ The options outlined below are an illustration of other reform possibilities which were submitted in evidence.

A Revised CAP

- 3.24 Respondents argued that major challenges such as water and natural resources, food security and climate change were not sufficiently addressed in the current CAP.¹⁷² Environmental organisations argued reform was needed to ensure sustainable land management and protection and enhancement of the environment. RSPB argued that the CAP's current failure was not an argument against EU competence, but an argument for a change in policy 'guided by the principle of public money for public goods'.
- 3.25 Open Europe proposed reform to maximise the environmental and economic benefits of CAP spending, with the ultimate aim of moving away from taxpayer support.¹⁷³ The proposed reform would replace direct payments with an agri-environment points scheme to incentivise farmers to actively deliver a public good. It would also devolve rural development programmes back to Member State level, abolishing Pillar Two, while using the funding to support growth in disadvantaged rural areas of poorer Member States. At the EU level, there would be continued funding for research and development, as well as a targeted fund aimed at helping farmers adjust to modernisation.
- 3.26 Some respondents called for the phased removal of Pillar One subsidies and reform of Pillar Two to focus on the delivery of public goods.¹⁷⁴ The Fresh Start Project rehearsed a number of options to bring about change, including the UK remaining within the EU to pursue radical CAP reform, or unilaterally withdrawing from the CAP.¹⁷⁵ The Fresh Start Project argued that unilateral withdrawal would not be a long-term solution and might temporarily exclude the UK from the Single Market in agricultural goods, as well as excluding farmers from direct payments. It argued that the first option, pushing for reform within current arrangements, would however require significant political capital and the prioritisation of CAP reform over other issues, as well as probable forfeit of the UK's rebate. To achieve and intensify the CAP reform process, the Senior European Experts Group

¹⁷¹ HMG, *The Balance of Competences between the UK and the EU: EU Budget*, published in parallel.

¹⁷² Please see, for instance: Food and Drink Federation, Soil Association, *submissions of evidence*.

¹⁷³ Open Europe, *More for less: Making the EU's farm policy work for growth and the environment* (2012).

¹⁷⁴ Please see, for instance: Centre for European Reform; Fresh Start Project; Professor Berkeley Hill; and Professor Jean-Christophe Bureau, *submissions of evidence*.

¹⁷⁵ Fresh Start Project, *Chapter 3*.

emphasised the need for the UK to take an early strategic approach in order to build a coalition for change of both countries and stakeholders.

3.27 In 2009 and 2010, two groups of agricultural economists published declarations calling for an ambitious reform of the CAP.¹⁷⁶ The 2010 declaration, with 80 signatories, called for a CAP based on five guiding principles; targeting on public goods; environmental focus; market orientation; global food security and subsidiarity. It argued that subsidies not linked to 'provision of public goods, such as the Single Farm Payment, should be progressively phased out'. The declaration stated that to large extent, there was a bias amongst EU decision makers for maintaining the status quo.

More Radical Reform: Domestic Support within the Single Market

3.28 In its report '*Food for Thought*', the TaxPayers' Alliance examined three strategies to reduce the 'burden' of the CAP on taxpayers and consumers.¹⁷⁷

- Reform of the existing EU system to redirect or significantly reduce levels of subsidies. It argued that this would make world trade talks easier and save money for consumers, although would impact negatively on farmers;
- Repatriating the system from Brussels with the UK running an identical national policy and saving money;
- Following the example of New Zealand, the EU abolishes its system of agricultural support (the CAP). The TaxPayers' Alliance argued that this would save the UK £10bn a year and boost world trade talks, thereby benefiting the whole UK economy.

3.29 The TaxPayers' Alliance concluded that the EU should abolish the CAP, but that Member States should be allowed to pay farmers subsidies from their own tax revenues.¹⁷⁸ If this situation was not possible, it argued the UK should leave the EU. However, the Senior European Experts Group discussed the effect of a return to separate national subsidies. It argued that there would be such a wide variation in the degrees of subsidy that a level playing field would be impossible. It considered that without EU action, there would either be a 'subsidy race' between Member States determined to protect their farmers from 'dumping', a breakdown of the Single Market, or both.¹⁷⁹

3.30 In the foreword to its 2013 report, the thinktank Civitas stated that the UK's main aim should be the full return of competence, but its report also explored ideas for an interim renegotiation of our relationship with the EU. The author, Glyn Gaskarth, proposed repatriation of agricultural policy and CAP receipts, offering a reduction in EU contributions equal to the payments each Member State receives under the CAP. This would, in effect, turn CAP receipts into another form of rebate which could be spent however the Member State government wished, including not on agriculture. This proposal would mean that Member States who are currently net contributors would remain so and that the more protectionist Member States would retain the right to preserve their existing mechanisms of support.¹⁸⁰

¹⁷⁶ Declaration by a Group of Leading Agricultural Economists, *A Common Agricultural Policy for European Public Goods (2009)* and Declaration by Agricultural Economists, *For an Ambitious Reform of the Common Agricultural Policy*.

¹⁷⁷ The TaxPayers' Alliance, *Food for Thought*.

¹⁷⁸ Idem.

¹⁷⁹ Dumping is the export of a product at a price that is lower in a foreign market than the price charged in a domestic market.

¹⁸⁰ Civitas, *EU Renegotiation* (2013).

- 3.31 Field Barn and Hedge End Farms argued that any removal of direct payments would risk the collapse of the domestic farming sector, unless tariff barriers were put in place or the UK constructed its own direct payment scheme. Open Europe cited a Dutch study which stated that after removal of the single payment, 15% of farms in the UK would not survive.¹⁸¹
- 3.32 The IEEP argued that even if the UK were to leave the EU, while high levels of support remained across the EU, this would influence public policy and farm management decisions in the UK. However, a number of respondents expressed doubt that levels of domestic subsidy would be comparable to EU support if the UK were not part of the CAP.¹⁸² The CLA said that subsidy levels were unlikely to be comparable to EU levels, so a national approach would adversely impact UK farmers' ability to compete with farmers in the EU. The FSB reported a suspicion that if the system reverted to the UK, agriculture would not receive the same emphasis that it currently enjoyed through Europe.
- 3.33 Respondents argued that if the UK were to opt out of the CAP, it would still need and wish to put in place similar rules for agriculture and the natural environment. The RSPB argued that in the absence of EU competence in agriculture and requirements to offer an agri-environment scheme, national decisions on environmental investment would be subject to the mercies of changing government policy priorities, particularly in a challenging economic context. In its view, in these circumstances, the continuation of agri-environment schemes was 'by no means a certainty'. IEEP concurred that it was 'far from clear whether future UK governments would give sufficient priority to funding the supply of rural public goods'.

More Radical Reform: Coming Out of the Single Market for Agriculture

- 3.34 In 2005 Professor Patrick Minford and others analysed the effect of leaving the Single Market for agriculture, coupled with unilaterally adopting free trade. In this scenario, the UK would impose no tariffs on imports from any country, but would likely still face tariffs imposed by other countries. They argued that the UK would be best off under unilateral free trade since it eliminates the burden on UK consumers and that 'losses suffered by UK farmers from withdrawal [...] can be cheaply compensated via direct subsidy from the Treasury'.¹⁸³
- 3.35 Some respondents discussed the possible implications of the UK leaving the EU and negotiating alternative arrangements with EU Member States.

¹⁸¹ Open Europe, *More for Less*.

¹⁸² Please see, for instance: *CAP Workshop and Northern Ireland Workshop*. Also: IEEP; and Clinton Devon Estates, *submissions of evidence*.

¹⁸³ P. Minford, V. Mahambre and E. Nowell, *Should Britain Leave the EU? An Economic Analysis of a Troubled Relationship* (2005).

‘The Norway option’

The Agreement on the European Economic Area (EEA) unites Iceland, Liechtenstein and Norway (non-EU states) with EU Member States in a single market. The EEA does not cover the CAP, but contains provisions on some trade in agricultural products and allows access to the Single Market.

‘The Swiss option’

Switzerland is a member of the European Free Trade Association (EFTA) alongside Norway, Liechtenstein and Iceland, but is not part of the EEA Agreement. Instead, it has a framework of separate bilateral trade agreements with the EU, which exclude the CAP but permit access to the Single Market.

- 3.36 The CER argued that if the UK left the EU but remained in the EEA, we would not then have to implement or contribute to the CAP, but would have to follow most Single Market rules, with no vote or influence over their setting. The Confederation of British Industry’s (CBI) *Our Global Future* report noted that supporters of the ‘Norway option’ believed the agreement would secure Single Market access without having to be bound by CAP legislation perceived as costly or unnecessary.¹⁸⁴ However, it concluded that this option would not solve current challenges and would remove any UK influence over shaping the rules that the UK would still have to follow. This was a concern shared by Clinton Devon Estates, the British Potato Trade Association and Skea Organics. The Senior European Experts Group also argued that whilst an EEA-type membership ‘would save the costs of subsidising EU farmers, [the UK] would also lose the budget abatement and would have to pay the (large) costs of EEA membership’. Attendees at the CAP workshop,¹⁸⁵ IEEP and CLA all noted that Norway provides much higher levels of subsidy to its farmers than the CAP in order to compete with EU Member States.
- 3.37 The CBI’s *Our Global Future* report also examined the ‘Swiss option’, where the UK would leave the CAP, but ‘pick and choose’ EU legislation through bilateral agreements to ensure market access.¹⁸⁶ The CBI concluded that although this option would provide freedom from burdensome regulation, it would take a significant amount of time to negotiate and there was no guarantee that the UK would be able to agree prioritised areas whilst excluding other challenging elements. The IEEP and attendees at the Wales workshop observed that, like Norway, Switzerland has higher levels of agricultural support than the EU.¹⁸⁷ The Welsh Government noted that Switzerland, despite being a non-EU state, had opted to adopt the same basic protocols on plant health and plant reproductive materials to allow it unfettered trade within the EU.
- 3.38 David Campbell Bannerman MEP advocated a future option which he called ‘EEA Lite’, a hybrid between the Swiss and Norway options, whereby the UK withdraws from the CAP and the Single Market, but remains in the EEA. In his model, the Single Market would remain open to goods and services from the UK as long as exporters met Single Market rules. In this scenario, he argued the UK Government could pay the same level of subsidies as are currently offered, and save costs on net contributions to the CAP. David Campbell Bannerman MEP argued that this would reduce annual shopping bills, allow

¹⁸⁴ CBI, *Our Global Future: The Business Vision for a Reformed EU* (2013).

¹⁸⁵ *Record of 9 December 2013 Workshop on the CAP*.

¹⁸⁶ CBI, *Our Global Future: The Business Vision for a Reformed EU* (2013).

¹⁸⁷ *Record of 3 December 2013 Workshop on the Welsh Perspective*.

the repeal of EU legislation and allow for more favourable trade agreements between the UK, Commonwealth and developing countries. The CBI's *Our Global Future* report also noted that 'the UK could, in theory, fund a more generous scheme of support to its farmers outside the EU'.¹⁸⁸ However, the report also noted that the UK would then 'lose the benefits of pan-EU research and funds'.

- 3.39 In the Regent's Report 2013, the then President of the NFU Peter Kendall weighed up the impact on agriculture of two possible scenarios; leaving the EU, but remaining part of the EEA and Single Market; and leaving both the EU and the Single Market.¹⁸⁹ He concluded that the latter, complete withdrawal, would be hugely risky to farmers, leading to lower farm gate prices, loss of the UK's major export market and reduced protection from imports produced to a lower standard. He considered that the former had some benefits as a UK agricultural policy could be less bureaucratic. However, he identified the downsides of following common rules without policy-making influence and the uncertainty of whether the UK would put in place comparable support for the sector as significant concerns. Peter Kendall concluded that remaining within the EU to pursue CAP reform would be the best way forward.

Conclusion

- 3.40 This Report aims to deepen public and parliamentary understanding of the nature of our EU membership and to provide a constructive and serious contribution to the national and wider European debate about modernising, reforming and improving the EU in the face of collective challenges. The evidence submitted to this Report has identified significant future challenges to EU competence for agriculture. Issues such as global food security, increasing international trade, pressures on the EU budget and securing better value for money will need to be addressed as the EU undertakes further reform of agriculture policy. This report raises the following questions which need to be considered as part of that wider debate.

- What are the implications for European food security of an increasing global demand for agricultural products? How can Europe ensure sustainable production whilst remaining globally competitive?
- What will be the impact of future global trade deals on EU competence for agriculture and plants? For example, what will be the implications of the Trans-Atlantic Trade and Investment Partnership (TTIP) for EU competence?
- How might future enlargement put pressure on the CAP? With pressure to reduce EU expenditure, what will be the future for direct payments? Fifty years since their formation, do the core objectives of the CAP need to be revisited?

¹⁸⁸ CBI, *Our Global Future*.

¹⁸⁹ Regent's University London, *The UK & Europe: Costs, Benefits, Options. The Regent's Report* (2013).

Annex A: List of Evidence

Written Submissions

AB Sugar	British Institute of Agricultural Consultants
Ackrill, Professor Robert	British Potato Trade Association
Agriculture and Horticulture Development Board (AHDB)	British Society of Plant Breeders
Agricultural Biotechnology Council	Brothers, David
Agricultural Industries Confederation	Brough, Kane
Alden, Laurey	Brown, Barbara
Allen, Andrew	Brussels and Europe Liberal Democrats
Alvis Bros Ltd.	Bryant, Elisabeth
Ames, Isobelle	Buccheri, Micky
Andrew	Bureau, Jean-Christophe
Andrew 2	Burns, Angie
Andrews, Mike	Burns, Robert
Asda	Burrington, Tessa
Baker, Jonathan	Burston, Daniel
Barbier, Jonathan	Burton, David
Barnett, Sarah	Butters, Malcolm
Barrs, Kathie	Campbell Bannerman, David MEP
Barrs, Tony	Campbell, Chris
Bliss, Sam Frazer	Cardwell, Professor Michael
Boden, Clive	Centre for European Reform
Bothwell Beekeepers	Champion, T
Bourke, Fidelma	Chandler, David
Bourke, Kathleen	Chapple, Andi
Bourne, Lesley	CLA
Bowden House Community	Clarke, Janice
Boyce, Carol	Clarke, Lea
British Association for Shooting and Conservation	Clarke, Sheila
British Egg Industry Council	Clinton Devon Estates
	Coleman, Kevin
	Compassion in World Farming

Confor	Fox, Terry
Cooney, David	Fresh Produce Consortium
Coppard, Carole	Fresh Start Project
Cox, Nicola	Gantschuk, Jeff
Craig, Robert	Garden Angels Frome
Crop Protection Association	Garden Organic
Cross, John	Garstang, Liam
Cross, John Nigel	Gens, Susanne
Cross, Julian	George, Angela
Dalavich Gardening Group	Gillingham, Elaine
Davison, Dr. Malcolm	Giraud, Luc
Day, Paul	Glavardanov, Mira
Dean, Charlotte	Gleeson, Tessa
Dennemeyer, Hendrik	Gonzalez, Sohani
Department of Agriculture and Rural Development for Northern Ireland	Gordon, Marc
Dove, Fiona	Gorman, Josephine (University of Leeds)
Dulfer, Hans	Green, A
Dunn, Hayley	Gribben, Tomas (University of Leeds)
Dunne, Terry	Green, Colin
Duthie, Dr. Joanna	Greening, Joanna
Eastaugh, Alice	Haemolytic Uraemic Syndrome Help (HUSH)
Eastaugh, Andrew	Haggett, David
Edge Lane Allotment Society	Hardcastle, Linda
Edwards, Kirsti	Hasek, Harry
Elmwood Seeds Ltd.	Hayes, Georgia
Environmac Ltd	Heard, Sandra
EPA-EBA London Sugar Group	Hedley, Natalie
Erwin, Julie	Hendry, Ann Marie
European Commission	Herbertson, Gemma
European Forest Institute	Hill, Professor Berkeley
European Movement	Hocking, Stephen
Eveleigh, James	Hollis, Francina
Ewan, Lynsey	Honey, Simon
Farmers' Union of Wales	Honeyfield, Paul
Federation of Small Businesses	Horticultural Trades Association
Fermor, Dr. Terry	Hudson, Kate
Field Barn and Hedge End Farms	Hughes, Sarah
Fisk, Tom	Hybu Cig Cymru - Meat Promotion Wales
Food and Drink Federation	Incredible Edible Wreccsam
Food and Environment Research Agency (Fera)	Increment Limited and Inside Track
Forestry Commission	Institute for Archaeologists
Fortey, John	Institute for European Environmental Policy
	Jarman, Nicola

Jenkins, Paul	O'Neill, Loman
Johnson, Suzanne	Open Europe
Johnston, Michael	Organic Research Centre
Jones, Ian	Ornamental Aquatic Trade Association
Killick, Carol	Pa, Ma
Kneale, Catherine	Page, Jennifer
KWS UK Limited	Payne, Tracy
Lackan Cottage Farm	Pazos-Vidal, Serafin
Laidler, Dr. Keith	Peachey, Louise A. C.
Linking Environment And Farming (LEAF)	Pemberton, Tamasin
Little, William	Perennial Favourites Ltd.
Llewellyn, Deborah	Perry, Oliver
Lockwood, Richard	Petts, James
Lonsdale, James	Pitcairn, Jenny
Lord, Alan	Plantlife
Lyn	Presteigne & Norton Allotment Association
Lyon, George MEP (on behalf of Liberal Democrat MEPs)	Presteigne Allotment Association
Lyons, Peter	Radini, Anita
Maddison, Andrew	Reed, Martin
Martin, Judy	Reeves, Esther
McChlery, Ian	Renewable Energy Association
McCue, Helen	Ritman, Michael
McGiffen, Steffeny	Rivers, Angela
McQuillan, David	Rose, Alistair
Mills, Richard	Rotherham, Dr. Lee
Millward, June	Rowlinson, Clare
Mitchell, Chris	Royal Society for the Protection of Birds (RSPB)
Moore, Helen	Rural Payments Agency
Morris, Hilde Mary	Salter, Anne-Marie
Morris, Rose (University of Leeds)	Sandison, Chris
Mortlock, Tim	Scotch Whisky Association
Mourne Farmers	Scottish Government
Murphy, Helen	Screen, Linda
National Association of Agricultural Contractors (Mobile Seed Section)	Senior European Experts Group
National Farmers' Union (NFU)	Senner, Denise
National Sheep Association	Shobiye, Stephanie
Newland, Poppy	Skea Organics
Nicholls, Bet	Skinner, Melanie
Northern Ireland Centre for Food and Health (NICHE), University of Ulster	Smith, Dr. Fiona
O'Connor, John	Smith, Lisa
Ogden, Jacqueline	Smith, Naomi
	Soil Association

South Lincolnshire Garden Society	Unsted, Max
Stacey, Amanda	Vannozzi, Debbie
Steel, Catherine	Webster, John
Sustainable Bungay	Weir, Chris
Sutton, Rebecca	Welsh Government, Department for Natural Resources and Food
Swinbank, Professor Alan	Welsh Local Government Association
Tamara	Wheller, Esther
Tate & Lyle Sugars	Wilson, Robin
TaxPayers' Alliance	Wm Morrison Supermarkets Plc
Taylor, Lone	Wolvers, Ian
Taylor, Sarah	Woollard, Samantha
The British Association of Seed Analysts	Wootton, Leonie
The Crossing Community Smallholding	Wormald, Julian
The Freedom Association	Yannakoudakis, Marina MEP
The Wildlife Trusts	
Tilbury, Stuart	
Tozer Seeds Ltd.	
Transition Town Wandsworth	
Ulster Farmers' Union	

Any references to MEPs reflect their status at the time of the Call for Evidence period.

Other Sources of Evidence

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Annex B: Participants in Workshop Events

Stakeholder Launch Event (no record taken)

AB Sugar	Institute for European Environmental Policy
Agricultural Industries Confederation	National Association of Agricultural Contractors
British Pig Association	National Beef Association
Business for Britain	National Farmers' Union
Confederation of Forestry Industries (Confor)	National Pig Association
CLA	National Trust
Countryside and Communities Research Institute	Plantlife
Federation of Small Businesses	Professor Alan Swinbank
Food and Environment Research Agency	RSPB
Fresh Produce Consortium	Tate & Lyle Sugars
HM Treasury	The Wildlife Trusts
Horticultural Trades' Association	

EU Spend Workshop – 'Spending at the EU Level' (jointly with EU Budget and Cohesion reports)

Professor John Bachtler, Strathclyde University (Chair)	European Commission
Department for Business, Innovation and Skills (BIS)	HM Treasury
Business for Britain	Institute for European Environmental Policy
Cabinet Office	National Farmers' Union
Convention of Scottish Local Authorities	National Council of Voluntary Organisations
Department for Communities and Local Government (DCLG)	Open Europe
Department for Environment, Food and Rural Affairs (Defra)	Research Councils UK
	RSPB

Brussels Workshop – ‘The European Perspective’

Julie Girling MEP (Chair)	Institute for European Environmental Policy
Agriculture and Horticulture Development Board	George Lyon MEP
British Agricultural Bureau/ NFU	National Farmers’ Union
COPA COGECA	Jim Nicholson MEP
Convention of Scottish Local Authorities	Office of Dr. Kay Swinburne MEP
ECR Group adviser on agriculture	Graham Watson MEP
European Forest Institute	UK Representation to the EU

Northern Ireland Workshop – ‘The Northern Irish Perspective’ (County Antrim)

Ballymena Borough Council and North East Region Rural Development Programme	National Sheep Association
Business School, University of Ulster	Northern Ireland Centre for Food and Health (NICHE), University of Ulster
Department of Agriculture and Rural Development for Northern Ireland	Northern Ireland Environment Agency
Mourne Farmers	Northern Ireland Food and Drink Association
Natural Heritage, Northern Ireland Environment Agency	Ulster Farmers’ Union

Scotland Workshop – ‘The Scottish Perspective’ (Edinburgh)

Agricultural Industries Confederation	RSPB
Confederation of Forestry Industries (Confor)	Rural Policy Centre and Scotland’s Rural College
National Sheep Association Scotland	Scottish Environment LINK
Quality Meat Scotland	Scottish Land and Estates
Royal Botanic Gardens Edinburgh	Scottish Government
Royal Environmental Health Institute of Scotland	

Wales Workshop – ‘The Welsh Perspective’ (jointly with Fisheries Report in Cardiff)

Chairman of the Welsh Federation of Sea Anglers	Natural Resources Wales
Dawn Meats	PLANED (Pembrokeshire Local Action Network for Enterprise and Development)
Farmers’ Union of Wales	RICS Wales
Hybu Cig Cymru	RSPB
Institute of Archaeologists	Welsh Government
National Assembly for Wales	Welsh Local Government Association

Common Agricultural Policy Workshop

AB Sugar	EPA-EBA London Sugar Group
Professor Robert Ackrill	European Movement
ADAS	Federation of Small Businesses
British Poultry Council	Farming, Food and Rural Network East
Clinton Devon Estates	Food and Drink Federation
CLA	Foreign & Commonwealth Office

HM Treasury
Increment Ltd
Maltsters Association of Great Britain
National Farmers' Union
National Beef Association
National Sheep Association
Overseas Development Institute
RSPB
The Wildlife Trusts

Wine and Spirits Trade Association
Wm Morrison Supermarkets Plc
Woodland Trust

Plant Health and Plant Reproductive Materials Workshop

Agriculture and Horticulture Development Board
British Potato Trade Association/ Potato Innovations Ltd.
CLA
East Malling Research
Fresh Produce Consortium
Horticultural Trades' Association
National Association of Agricultural Contractors

Ornamental Aquatic Trade Association
Plant Heritage
Plantlife
Potato Council
Royal Botanic Gardens Kew
Tozer Seeds Ltd.
Welsh Government
Woodland Trust

Consumer Roundtable – jointly with Fisheries Report

Tessa Burrington *Individual*
Kevin Coleman *Individual*
Compassion in World Farming

European Movement
Institute of Food Science and Technology
TaxPayers' Alliance

Academic Roundtable

Professor Alan Swinbank
Professor Allan Buckwell
Professor Berkeley Hill
Professor Brian Revell
Dr. Fiona Smith
Professor Francesca Romana Medda
Professor Ian Hodge

Professor Janet Dwyer
Professor Michael Cardwell
Dr. Olga Kehagia
Professor Robert Ackrill
Dr. Stephen Ramsden
Professor Wyn Grant

Annex C: Glossary of Acronyms

AIC	Agricultural Industries Confederation
ACP	African, Caribbean and Pacific states
BSPB	British Society of Plant Breeders
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CER	Centre for European Reform
CIWF	Compassion in World Farming
CLA	Country Land and Business Association (a membership organisation for owners of land, property and businesses in rural England and Wales)
COPA	Committee of Professional Agricultural Organisations
COGECA	General Confederation of Agricultural Cooperatives
DARDNI	Department of Agriculture and Rural Development for Northern Ireland
Defra	Department for Environment, Food and Rural Affairs
DG SANCO	Directorate General for Health and Consumers
DG AGRI	Directorate General for Agriculture and Rural Development
EAFRD	European Agricultural Fund for Rural Development
EBA	‘Everything But Arms’
ECJ	European Court of Justice
ECR	European Conservatives and Reformists
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EU	European Union
FDF	Food and Drink Federation
Fera	Food and Environment Research Agency

FPC	Fresh Produce Consortium
FSB	Federation of Small Businesses
FUW	Farmers' Union of Wales
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
GVA	Gross Value Added
HCC	Hybu Cig Cymru
HTA	Horticultural Trades Association
HUSH	Haemolytic Uraemic Syndrome Help
IEEP	Institute for European Environmental Policy
LEAF	Linking Environment And Farming
MEP	Member of the European Parliament
Mercosur	South America trading bloc
NFU	National Farmers' Union
NGO	Non-governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OLP	Ordinary Legislative Procedure
PRM	Plant Reproductive Materials
RDP	Rural Development Programme
RSPB	Royal Society for the Protection of Birds
SEEG	Senior European Experts Group
sCMO	Single Common Market Organisation
TEU	Treaty on the European Union
TFEU	Treaty on the Functioning of the European Union
TIFF	Total Income from Farming
UK	United Kingdom
UN	United Nations
USA	United States of America
WTO	World Trade Organisation