



House of Commons  
Environment, Food and Rural  
Affairs Committee

---

# Implementation of CAP Reform in the UK

---

**Seventh Report of Session 2003–2004**

*Volume I*





House of Commons  
Environment, Food and Rural  
Affairs Committee

---

# Implementation of CAP Reform in the UK

---

**Seventh Report of Session 2003–2004**

*Report, together with formal minutes*

*Ordered by The House of Commons  
to be printed 28 April 2004*

## Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

### Current membership

Mr Michael Jack (*Conservative, Fylde*) (Chairman)  
Ms Candy Atherton (*Labour, Falmouth and Camborne*)  
Mr Colin Breed (*Liberal Democrat, South East Cornwall*)  
David Burnside (*Ulster Unionist, South Antrim*)  
Mr David Drew (*Labour, Stroud*)  
Patrick Hall (*Labour, Bedford*)  
Mr Mark Lazarowicz (*Labour/Co-op, Edinburgh North and Leith*)  
Mr David Lepper (*Labour, Brighton Pavilion*)  
Mr Ian Liddell-Grainger (*Conservative, Bridgwater*)  
Mr Austin Mitchell (*Labour, Great Grimsby*)  
Diana Organ (*Labour, Forest of Dean*)  
Joan Ruddock (*Labour, Lewisham Deptford*)  
Mrs Gillian Shephard (*Conservative, South West Norfolk*)  
Alan Simpson (*Labour, Nottingham South*)  
David Taylor (*Labour, North West Leicestershire*)  
Paddy Tipping (*Labour, Sherwood*)  
Mr Bill Wiggin (*Conservative, Leominster*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at

[www.parliament.uk/parliamentary\\_committees/environment\\_\\_food\\_and\\_rural\\_affairs.cfm](http://www.parliament.uk/parliamentary_committees/environment__food_and_rural_affairs.cfm).

A list of Reports of the Committee in the present Parliament is at the back of this Report.

### Committee staff

The current staff of the Committee are Gavin Devine (Clerk), Fiona McLean (Second Clerk), Dr Kate Trumper and Jonathan Little (Committee Specialists), Andy Boyd and Louise Combs (Committee Assistants), Anne Woolhouse (Secretary) and Rebecca Flynn (Intern).

### Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 3262; the Committee's e-mail address is: [efracom@parliament.uk](mailto:efracom@parliament.uk).

# Contents

---

<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>1 Introduction</b>	<b>5</b>
<b>2 The Government's announcement</b>	<b>6</b>
<b>3 Questions raised</b>	<b>8</b>
Analysis	8
Severely Disadvantaged Areas	10
Cross-border issues	11
Rural Payments Agency: can it cope?	12
<b>4 Conclusion</b>	<b>13</b>
<b>Conclusions and recommendations</b>	<b>14</b>
<b>Formal minutes</b>	<b>15</b>
<b>Witnesses</b>	<b>17</b>
<b>List of written evidence</b>	<b>18</b>
<b>List of unprinted written evidence</b>	<b>19</b>
<b>Reports from the Committee since 2001</b>	<b>20</b>



## Summary

---

In October 2003 we announced that we would undertake an inquiry into the implementation of the reforms to the Common Agricultural Policy agreed in June. Our inquiry focussed on the basis on which the decoupled single farm payment would be made.

On 12 February 2004 the Government announced its decision to adopt a 'dynamic hybrid' model of single farm payment. We do not, in this report, seek to second-guess the Government's decision. Instead our objective is twofold: to publish the evidence we received, in order to inform discussion of the matter, and to raise a number of questions and concerns which flow from the decision taken.

In particular we are concerned about the economic and environmental impacts of adopting the model chosen. Further research about such matters is needed, and the policy may need to be altered if potential and actual distortions are considered sufficiently serious. We are also concerned about the capacity of the Rural Payments Agency to deliver the new Single Payment Scheme.

Our inquiry has brought to the surface a number of questions – which we set out in the report – which must be addressed by Defra as it develops the detail of the implementation of the reforms to the CAP. This, then, is only the first part of our inquiry: we will return to the matter before the end of the year to look in greater detail at the decisions being made.





# 1 Introduction

---

1. On 26 June 2003 the Agriculture Ministers of the European Union, meeting in Luxembourg, reached agreement on the package of reforms to the Common Agricultural Policy (CAP) put forward by the European Commission. This brought to a conclusion a lengthy process of reform, on which we have commented in previous reports.<sup>1</sup> The reform agreed was given legal effect in regulations agreed on 29 September.<sup>2</sup>

## **Main points of the reform of the CAP agreed at the Council meeting in Luxembourg, June 2003<sup>3</sup>**

- (1) breaking the link between farm subsidies and production by “decoupling” direct subsidies to agriculture;
- (2) cross compliance to make subsidies dependent on meeting standards in key areas like environment, and animal health and welfare, underpinned by a new Farm Advisory System;
- (3) a further switch of resources to the 2nd pillar and an earlier start date for modulation. For the first time, modulation applies on an EU-wide basis, switching support from production subsidies to targeted support for environmental and rural development objectives;
- (4) national envelopes which provide for the possibility to develop targeted schemes to promote sustainable and environmentally friendly farming;
- (5) changes to the Rural Development Regulation to widen the options for expenditure;
- (6) reduced support prices for butter and rice bringing them closer to world prices to the benefit of consumers;
- (7) a new financial discipline which will trigger action to reduce subsidies if CAP expenditure looks to be in danger of exceeding the agreed ceilings.

2. In October 2003 we decided that we would look at the implementation in the United Kingdom of the reform agreed. Our terms of reference were:

The Committee will consider: (a) following what principles and by what method the United Kingdom should implement the proposals contained in the regulations formally adopted at the Council meeting in September 2003; (b) what impact implementation will have on the agricultural sector, particularly when taking account of approaches to CAP Reform in other European Union Member States; and (c) what progress has been made in implementing the proposals made by the Policy Commission on the Future of Farming and Food, and how that work meshes with wider reform of the CAP.

3. Despite these wide-ranging terms of reference it became apparent that our inquiry would be limited due to decisions already taken by the Government. Soon after the reform

---

<sup>1</sup> See Third Report from the Environment, Food and Rural Affairs Committee, Session 2002-03, *The Mid-Term Review of the Common Agricultural Policy*, HC 151, and Ninth Report from the Environment, Food and Rural Affairs Committee, Session 2001-02, *The Future of UK Agriculture in a Changing World*, HC 550-1.

<sup>2</sup> Council Regulations (EC) 1782/2003 to 1788/2003

<sup>3</sup> According to Defra, in its memorandum; Ev 99, para.5

was agreed the Government announced three decisions about the way it would implement it in the United Kingdom:

- that it would adopt from the earliest opportunity, 1 January 2005, a Single Payment Scheme, under which a single payment decoupled from production would replace a number of existing CAP payments;<sup>4</sup>
- that the Single Payment Scheme would be implemented on a country by country basis within the United Kingdom – Scotland, Wales and Northern Ireland would make their own decisions, just as England would do; and
- that the main options for partial coupling of the payment to production would not be taken up in England (although some relevant decisions remained to be taken).<sup>5</sup>

Thus our inquiry focussed on the basis on which payments would be made under the Single Payment Scheme. This had been the subject of a consultation exercise undertaken by the Government between July and October 2003,<sup>6</sup> and a decision was expected early in 2004. Discussion of other aspects of the reform was to a large extent redundant until the principal decision had been taken.

4. In the course of our inquiry we received evidence from 32 organisations and individuals. We took oral evidence in January and February 2004 from farmers, landowners and tenants, as well as surveyors and bankers. Our sessions concluded with a meeting with Lord Whitty, Minister for Farming, on 11 February. We are most grateful to all of those who gave us evidence or otherwise assisted us during the course of our inquiry.

## 2 The Government's announcement

---

5. On 12 February – the day after our final evidence session – the Government announced its decision about the basis on which decoupled payments would be made. In broad terms the Government opted for a 'dynamic hybrid': a Single Payment initially based on historical payment levels, but which over time would move to an area basis. The detail of the announcement is set out below.

---

<sup>4</sup> The Single Payment Scheme will replace a number of other schemes, including: the Arable Area Payments Scheme (AAPS); the Beef Special Premium (BSP); the Extensification Payment Scheme (EPS); Sheep Annual Premium Scheme (SAPS); Suckler Cow Premium Scheme (SCPS); Slaughter Premium Scheme (SPS); the Veal Calf Slaughter Premium Scheme (VCSPS); Dairy Premium; and Dairy additional payments.

<sup>5</sup> See the speech delivered by Lord Whitty to the Oxford Farming Conference on 6 January 2004; the text of the speech is available via [www.defra.gov.uk/corporate](http://www.defra.gov.uk/corporate)

<sup>6</sup> *Consultation on options under the CAP reform agreement (third consultation)*, see [www.defra.gov.uk](http://www.defra.gov.uk)

**Extract from Government announcement about the Single Payment Scheme, 12 February 2004<sup>7</sup>**

Under the Single Payment Scheme, farmers will be allocated "entitlements" of a particular value. They can then make an annual claim for payment against each entitlement per hectare to the extent that they are farming or at least meeting the cross compliance conditions in respect of a hectare of eligible land.

We will take advantage of the possibility of implementing the new scheme on a regional basis in the UK, defining separate regions for Scotland, Wales, NI, English Severely Disadvantaged Area and England outside the SDA.

In England we will adopt a flat rate system of payment. This means that "entitlements" will be allocated on the basis of the number of eligible hectares (excluding permanent crops and forestry) a farmer has at his disposal in 2005.

The value of each entitlement in each region will eventually be the same (with different flat rates applying in each of the two regions).

The flat rate will be phased in over a transitional period, ending in 2012.

During this transition, the value of individual entitlements will initially be based to a large extent on individual historic receipts from existing schemes. This element will reduce as the flat rate element increases. The flat rate element will be 10% in 2005, 15% in 2006, 30% in 2007, 45% in 2008, 60% in 2009, 75% in 2010, 90% in 2011 and 100% in 2012.

By choosing the flat rate approach, set aside obligations are spread across all arable land so, whereas the total area of set aside will be the same as under the previous scheme (assuming a 10% rate), an individual's percentage will be lower. For some this may be a new requirement.

It will still be open to claimants to receive additional entitlements or increase the value of ones already allocated to them by invoking hardship procedures where the reference period (2000-2002) for determining historic receipts was not representative and, in defined cases, by applying to a national reserve.

All who are in receipt of the new payment will have to abide by new cross compliance conditions relating to the management of the land and a range of existing EU requirements on the environment, public and plant health, animal health and welfare standards. We plan to consult soon on these and a range of other detailed implementation issues.

...

The dairy premium and additional payment will be included in the new scheme from 2005.

6. Much of the written evidence we had received rehearsed the arguments in favour of various options for the Single Payment Scheme, and against others. Our oral evidence had been similarly dominated by discussion of the merits or otherwise of the various bases on which decoupled payments should be made. We do not, however, in this report seek to second-guess the Government's decision. Indeed it is worth noting that, in spite of the strong representations received by Government and by us in the run-up to the decision, once made it *seems* to have been largely accepted by most of the main stakeholders as an acceptable compromise.

<sup>7</sup> From a summary of the announcement, on [www.defra.gov.uk](http://www.defra.gov.uk)

7. We have decided that we should publish the evidence received together with this report, to help inform discussion of the Government's approach. This evidence reflects the ways in which the views of key stakeholders changed over the period of the Government's consultation and then our inquiry. The remainder of our report is devoted to questions raised during our inquiry about certain practical consequences of the decision made about the Single Payment Scheme. These questions are pertinent to decisions the Government must now make about the way its Single Payment Scheme will in practice be implemented in England and in the United Kingdom.<sup>8</sup>

## 3 Questions raised

---

### Analysis

8. Our evidence made clear that adopting the Single Payment Scheme would have a significant economic impact. Farm incomes would be redistributed. Certain crops and livestock would be more likely to be grown, whilst others would be much less so. The effects would be different depending on the basis for the Payment chosen. For example, as the Minister has set out, a Scheme based on a flat rate payment per hectare farmed across the whole country would benefit hill farmers, extensive livestock producers, and previously non-supported crops, and disadvantage intensive livestock and particularly dairy. A Scheme of historically-based payments would limit the effects of redistribution, but would lead to anomalies over time.<sup>9</sup>

9. We were interested to discover what investigations Defra had made of the likely impacts on *farming* of the various Single Payment Schemes proposed, and thus their economic and environmental effects. Some work had obviously been done: Lord Whitty told us that Defra had assessed a number of models of payment schemes,<sup>10</sup> which "in effect" allowed economic analysis of the impact on farming in England of different ways of making the single payment.<sup>11</sup> In addition, the Department commissioned a study of the potential environmental impacts of the CAP reform.<sup>12</sup>

10. Whether the work was sufficiently detailed is a matter of debate. In evidence to our Milk Pricing Sub-committee, Lord Whitty was asked specifically about the effect on the dairy sector of the decision made about payments in the Severely Disadvantaged Areas. In reply he conceded that the Department had not "got the modelling [of] what the effect will be in individual sectors".<sup>13</sup> Moreover, the announcement of the Single Payment Scheme on 12 February was not accompanied by the publication of substantial supporting material. By contrast, the Department of Agriculture and Rural Development (DARD) in Northern Ireland published 78 pages – covering thirty different schemes – of detailed analysis in

---

<sup>8</sup> See below for a discussion of the implementation of CAP reform in Wales, Scotland and Northern Ireland.

<sup>9</sup> See the speech delivered by Lord Whitty to the Oxford Farming Conference on 6 January 2004.

<sup>10</sup> Q232

<sup>11</sup> Q233

<sup>12</sup> GFA-RACE (2003) *The potential environmental impacts of the CAP reform agreement*, GFA-RACE Partners Limited, Cirencester

<sup>13</sup> Evidence taken on 8 March 2004 before the Milk Pricing Sub-committee, Q.380

support of the Single Payment Scheme it announced on 9 February.<sup>14</sup> It is worth noting that it seems that this type of impact assessment is likely to be a requirement of the European Commission if its concerns about the impacts of regionalising payments are reflected in the reform's Implementing Regulations.<sup>15</sup>

11. The Department for Environment, Food and Rural Affairs prides itself on its commitment to "evidence-based policy making".<sup>16</sup> Without obvious evidence to the contrary, we are forced to conclude that the Department's decision about the basis of the Single Payment Scheme was based on pragmatism and political expediency, notwithstanding the Department's more recent announcement that it will 'shortly' publish "an analysis of the economic impact on the English farming industry" of the Single Payment Scheme.<sup>17</sup> **We believe that the Government should have produced an in-depth study of the likely impacts of the various options for the Single Payment Scheme prior to making its decision about the Scheme. We strongly recommend that it now speedily produce its promised detailed analysis of the economic impacts of the model it has adopted, and that such an analysis also set out the likely environmental impacts too.**

12. As has been made clear by organisations such as Oxfam, the decision not to cap support payments under the reformed CAP means that some already wealthy farmers and landowners will continue to receive very large sums from European taxpayers.<sup>18</sup> Thus there is concern that the Single Payment Scheme will simply shift subsidies from grain barons to land barons, with little guaranteed gain for the environment. Without the detailed analysis we have asked for it is difficult to assess who will be the main beneficiaries of the new payments system. **We recommend that Defra set out their detailed assessment of (a) gainers and losers in the new Scheme, (b) what environmental gains will result from the new system, and (c) the case made by other European Union member states in favour of a ceiling on area-based payments.**

13. Defra's main line of argument in choosing the area payment method was to free English agriculture from a shape determined by existing CAP arrangements. It is clear from what the Government told us that they believe that a more dynamic, market-influenced, agricultural sector will emerge over time. **We recommend that, going forward, Defra produce an annual assessment of English and United Kingdom farming in order to monitor the impact of its policy decision. It should focus on environmental impacts and also on socio-economic concerns, such as land ownership and the incomes of those who work on the land.**

---

<sup>14</sup> See DARD (2004) *Minister announces decisions on implementation of CAP Reform*, press notice 027/04, 9 February 2004; and DARD (2004) *CAP reform: Rationale for main implementation decisions in Northern Ireland*, DARD, 9 February 2004. Both are available from [www.dardni.gov.uk](http://www.dardni.gov.uk)

<sup>15</sup> See *Fischler letter outlines concerns over SFP implementation*, *Agra Europe*, 6 February 2004, EP/1-2

<sup>16</sup> Defra, *Departmental Report 2002*, CM 5422, May 2002, p.19

<sup>17</sup> HC Deb, 5 March 2004, col 1151W.

<sup>18</sup> See *Spotlight on subsidies: 10 killer facts*, Oxfam press release, [www.oxfam.org.uk](http://www.oxfam.org.uk) [accessed 21 April 2004], and the associated Oxfam briefing paper no.55.

## Severely Disadvantaged Areas

14. The Single Payment Scheme for England announced by the Government envisages two rates of payment: one for the Severely Disadvantaged Areas (SDAs), and one for the rest of the country. In essence a rate for each area will be calculated by totalling the amount of subsidy previously paid in that area and dividing by the number of eligible hectares. The result will be the flat rate payable per hectare in each area. It is this rate which the Scheme will move towards as historically based payments are phased out up to 2012.

15. The SDAs are those areas defined under the Less Favoured Areas Directive.<sup>19</sup> They comprise mountain and hill areas, 'simple' Less Favoured Areas, which suffer from poor soils and low agricultural incomes, and areas facing specific handicaps such as periodic flooding. In the United Kingdom they are set out on statutory maps, last published in 1992. They make up approximately 8.3 million hectares, or around 45 percent of the total farmed area of the United Kingdom.<sup>20</sup>

16. In general terms Severely Disadvantaged Areas tend to be given over to the farming of livestock. Sheep and cattle have in the past been supported under the CAP on a per head basis. In the SDAs the payments have been supplemented under the Hill Farm Allowance scheme to reflect the more difficult conditions. However, SDAs tend to have been farmed more extensively than lowland areas. Thus if the total of the livestock headage payments paid in SDAs is divided by the area concerned, to give a single farm payment per hectare, the rate is likely to be much lower than for the lowlands. Indeed it has been suggested that the rate would be £75 per hectare in the SDAs compared to £210 to £230 per hectare elsewhere.<sup>21</sup>

17. As the example in the box below shows, different payment rates in the SDAs compared to the rest of the country will have an effect at the margin between the two. The result may well be that production patterns change, with economic and environmental consequences. For this reason it has been proposed that changes be made to the Single Payment Scheme to reduce the impact of such changes. For example, on 18 March a group of interested parties<sup>22</sup> wrote to Defra to propose the division of England into *three* regions: the moorlands, the non-moorland Less Favoured Areas, and the rest.<sup>23</sup> The difference in the flat rate between the non-moorland Less Favoured Areas and lowland areas would be reduced, and thus the effects at the margin would be lower: it is suggested that under the proposal lowland farmers would receive £210 to £230 per hectare, non-moorland SDA farmers £110 to £150 per hectare, and moorland farmers £30 per hectare.<sup>24</sup>

---

<sup>19</sup> EC Directive 75/268

<sup>20</sup> According to figures published by the European Commission in *Ex post evaluation of measures under Regulation (EC) No 950/97*, available from [www.europa.eu.int/comm/agriculture/](http://www.europa.eu.int/comm/agriculture/)

<sup>21</sup> See *NBA backs down on SDA plan*, Farmers Weekly Interactive, downloaded on 24 March 2004; [www.fwi.co.uk](http://www.fwi.co.uk)

<sup>22</sup> Country Land and Business Association, Tenant Farmers Association, National Farmers Union, National Sheep Association and National Trust.

<sup>23</sup> *Three regions proposed for English Single Farm Payment*, NFU Press Release, 18 March 2004

<sup>24</sup> See *NBA backs down on SDA plan*, Farmers Weekly Interactive, downloaded on 24 March 2004; [www.fwi.co.uk](http://www.fwi.co.uk)

**Example: dairy farming at the margin between SDA and lowland**

A dairy farm within an SDA and one just outside of equal area and with the same size of herd, if working at equal intensity, operate under the same CAP regime at present. However, once the Single Payment Scheme is instituted the farm further down the hill would attract a higher flat rate support.

There would therefore be encouragement for dairy farming to move down the hill, out of the SDA. The result might be that the farmer just inside the SDA would give up dairying, and turn instead to extensive livestock grazing. The result might be the problem of under-grazing, affecting on-farm habitats. Moreover, land values and indeed patterns of land ownership inside and outside the SDAs would be sharply affected – for example, the farmer abandoning dairying and taking up livestock rearing might need to buy additional land. In short there would be considerable economic, social and environmental impacts.

18. There are clearly difficulties associated with the impact on farming activities at the margin between lowland areas, which will receive a higher flat rate payment, and SDAs, which will receive less. It seems that the full economic and environmental effects of such a differentiation were not fully thought through. Ministers should have been alert to the consequences of their proposals as far as the SDAs were concerned, and taken steps to minimise the impact of their policy on these fragile sections of the rural economy.

19. However, on 22 April 2004, the Government announced that it had accepted the case made for the division of agricultural land into three regions.<sup>25</sup> **We are pleased that the Government has now responded to the problems which may have resulted from having significant differences in the level of support given to Severely Disadvantaged Areas and the rest of England.**

### Cross-border issues

20. A similar distinction to that between Severely Disadvantaged Areas and the rest of England will result from the different application of the reform of the CAP in the constituent nations of the United Kingdom. Scotland and Wales have announced that they will adopt the historic model, in broad terms basing support on farmers' past payments. Northern Ireland has opted for a static hybrid, under which farmers will receive a single flat rate payment per hectare plus a payment which reflects historical payment levels.

**Scotland**

Will adopt a single farm payment paid on a historic basis. In addition it will 'top slice' the single farm payments using the National Envelope mechanism in order to provide specific support to the beef sector.<sup>26</sup>

**Wales**

Will adopt the historic model.<sup>27</sup>

<sup>25</sup> HC Deb, 22 April 2004, col 26WS

<sup>26</sup> See the *CAP Reform Statement*, at [www.scotland.gov.uk](http://www.scotland.gov.uk)

<sup>27</sup> See [www.countryside.wales.gov.uk](http://www.countryside.wales.gov.uk)

### Northern Ireland

Will adopt a static vertical hybrid model of decoupling. The payment will consist of a flat rate, area based component funded from:

- 50 percent of the budget arising from the decoupled Beef Special Premium, plus;
- 50 percent of the decoupled Slaughter Premium budget (including the heifer top-up), plus;
- 35 percent of the decoupled Sheep Annual Premium budget plus;
- 80 percent of the decoupled LFA sheep supplement plus;
- 20 percent of decoupled Arable Area Payments budget.

This basic payment will be topped up for each individual farmer based on historic payments using the remaining decoupled monies left in the budget from the above schemes and all of monies arising from the suckler cow premium, the extensification premium and the dairy premium schemes.<sup>28</sup>

21. The adoption of different models of single farm payment in the four nations of the United Kingdom will lead to distortions within the UK, affecting decisions about farming and about land ownership. Such distortions will be particularly acute in border areas, where some farmers operate on either side and so will confront different regimes. **We recommend that Defra, in conjunction with the devolved administrations, commission research into the likely effects on farming production of adopting different single farm payment regimes in the nations of the United Kingdom. We further recommend that it consider what support and assistance it might be able to offer farmers particularly affected, such as those who operate on either side of the border between the nations. Farmers whose holdings are divided by a border should have the right to opt for the regime which they consider most appropriate for the whole of their holding.**

### Rural Payments Agency: can it cope?

22. Another area of concern is whether the Rural Payments Agency (RPA) is able to cope with making payment to farmers under a complex and changing Single Payment Scheme. The Agency has in the past experienced some difficulty in dealing with the complicated data management needed to deliver existing CAP schemes properly, and so in making payments on time.<sup>29</sup> The Agency is already engaged in a 'Change Programme' which involves significant investment in information technology to "streamline and modernise the system of administering claims under CAP".<sup>30</sup> In that context it is worth noting the difficulties faced by Government in delivering IT projects.

23. We put it to Defra that the RPA might well face difficulty delivering the new Single Payment Scheme, particularly in terms of being ready for its commencement in January 2005. The Department assured us that although "it is a great task ... [RPA staff] are working very hard to make sure that when the time comes they will deliver an efficient and effective scheme".<sup>31</sup> Lord Whitty argued that in fact the new system was "less complex" than what had gone before, which had "21 different regimes, all of which changed every year".<sup>32</sup> Defra concluded that the new Scheme was not "beyond the ability of the RPA

<sup>28</sup> See *Full decoupling of all direct payments in the beef, sheep and arable sectors will be introduced from 2005*, which is available at [www.ruralni.gov.uk](http://www.ruralni.gov.uk)

<sup>29</sup> See Sixth Report from the Environment, Food and Rural Affairs Committee, Session 2002-03, *Rural Payments Agency*, HC 382, para.8 ff

<sup>30</sup> Evidence given to our inquiry into the *Rural Payments Agency*, quoted in para.4

<sup>31</sup> Q259

<sup>32</sup> Q262



systems to deliver in time [though] it would be unwise for anybody to sit here and say today that we will have a fault-free system in place at the beginning of next year”.<sup>33</sup>

24. We note Defra’s cautious confidence. Nevertheless, **the RPA is being asked to deliver a new and complicated Single Payment Scheme against a tight deadline. It is an administrative process which will initially bring with it all of the problems of introducing a historic scheme whilst at the same time having to manage the transition to a area-based payment. We recommend that Ministers pay close attention to the steps taken by the Agency up to 1 January 2005 to ensure that all necessary systems are in place on time, and report to us by 1 October 2004 about the progress made. We also recommend that if additional resources are required by the RPA to deliver the new Scheme that Ministers commit themselves to providing those without hesitation.**

25. We are interested to know how the work to deliver the new Scheme fits with the existing Change Programme. **We recommend that Defra and the RPA provide us with an explanation of how the existing Change Programme can be adapted to provide the systems needed to underpin the Single Payment Scheme. We further recommend that they set out what work in the Change Programme has proved unnecessary due to the introduction of a single farm payment, and thus what expenditure has been nugatory.**

## 4 Conclusion

---

26. The Government’s decision raises a number of questions and concerns. As it stands the Single Payment Scheme in England, and the way in which it differs from the approaches taken in the rest of the United Kingdom, will have practical impacts which will cause economic and environmental effects. It is not clear that full account has been taken of those effects in Government decision-making to date. Research is needed, and if unexpected distortions are uncovered changes in policy may be required. A further concern is whether or not the Rural Payments Agency is equipped to cope with the change.

27. Moreover, having made the ‘headline’ decision about the basis of the Single Payment Scheme the Government has now turned its attention to the detail of the Scheme – for example, by issuing a consultation documents about cross-compliance and about the national reserve and other matters.<sup>34</sup> Here there are a number of highly contentious and difficult issues to resolve. **We intend to return to this subject in the second part of our inquiry, to be conducted in due course. At that time we will address issues including:**

- **Cross-compliance, and what public goods are expected to be delivered in return for continuing public support for agriculture;**

---

<sup>33</sup> Q260

<sup>34</sup> Defra (2004) *Consultation on proposed and possible measures for implementation of cross compliance in England*, Defra, issued 29 March 2004; Defra (2004) *Consultation on options under the Single Payment Scheme in England in regard to operating a national reserve, entitlement trading and the initial allocation of entitlements*, Defra, issued 2 April 2004.

- **The particular details of what will be required of farmers under an entry-level scheme; and**
- **The specific issues faced by sectors such as orchards, forestry, keeping horses and others.**

## Conclusions and recommendations

---

1. We believe that the Government should have produced an in-depth study of the likely impacts of the various options for the Single Payment Scheme prior to making its decision about the Scheme. We strongly recommend that it now speedily produce its promised detailed analysis of the economic impacts of the model it has adopted, and that such an analysis also set out the likely environmental impacts too. (Paragraph 11)
2. We recommend that Defra set out their detailed assessment of (a) gainers and losers in the new Scheme, (b) what environmental gains will result from the new system, and (c) the case made by other European Union member states in favour of a ceiling on area-based payments. (Paragraph 12)
3. We recommend that, going forward, Defra produce an annual assessment of English and United Kingdom farming in order to monitor the impact of its policy decision. It should focus on environmental impacts and also on socio-economic concerns, such as land ownership and the incomes of those who work on the land. (Paragraph 13)
4. We are pleased that the Government has now responded to the problems which may have resulted from having significant differences in the level of support given to Severely Disadvantaged Areas and the rest of England. (Paragraph 19)
5. We recommend that Defra, in conjunction with the devolved administrations, commission research into the likely effects on farming production of adopting different single farm payment regimes in the nations of the United Kingdom. We further recommend that it consider what support and assistance it might be able to offer farmers particularly affected, such as those who operate on either side of the border between the nations. Farmers whose holdings are divided by a border should have the right to opt for the regime which they consider most appropriate for the whole of their holding. (Paragraph 21)
6. the RPA is being asked to deliver a new and complicated Single Payment Scheme against a tight deadline. It is an administrative process which will initially bring with it all of the problems of introducing a historic scheme whilst at the same time having to manage the transition to a area-based payment. We recommend that Ministers pay close attention to the steps taken by the Agency up to 1 January 2005 to ensure that all necessary systems are in place on time, and report to us by 1 October 2004 about the progress made. We also recommend that if additional resources are required by the RPA to deliver the new Scheme that Ministers commit themselves to providing those without hesitation. (Paragraph 24)

7. We recommend that Defra and the RPA provide us with an explanation of how the existing Change Programme can be adapted to provide the systems needed to underpin the Single Payment Scheme. We further recommend that they set out what work in the Change Programme has proved unnecessary due to the introduction of a single farm payment, and thus what expenditure has been nugatory. (Paragraph 25)
8. We intend to return to this subject in the second part of our inquiry, to be conducted in due course. At that time we will address issues including:

Cross-compliance, and what public goods are expected to be delivered in return for continuing public support for agriculture;

The particular details of what will be required of farmers under an entry-level scheme; and

The specific issues faced by sectors such as orchards, forestry, keeping horses and others. (Paragraph 27)

## Formal minutes

---

**Wednesday 28 April 2004**

Members present:

Mr Michael Jack in the Chair

Mr David Drew	Alan Simpson
Patrick Hall	David Taylor
Mr David Lepper	Paddy Tipping
Mr Austin Mitchell	Mr Bill Wiggin
Joan Ruddock	

The Committee deliberated.

Draft Report [*Implementation of CAP Reform in the European Union: Part I*], proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Seventh Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No.134 (Select committees (reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman*).

Several memoranda were ordered to be reported to the House.

The Committee further deliberated.

[Adjourned till Wednesday 5 May at a quarter past Two o'clock.]

# Witnesses

---

## Wednesday 14 January 2004

*Page*

Professor Sir John Marsh

Ev 5

Reg Haydon and George Dunn, **Tenant Farmers Association**

Ev 21

Mr Mark Hudson and Professor Allan Buckwell, **Country Land and Business Association**

Ev 39

## Wednesday 21 January 2004

Sir Ben Gill and Martin Haworth, **National Farmers' Union**

Ev 64

## Wednesday 11 February 2004

Dr James Jones, **Royal Institution of chartered Accountants**; Richard Lole, **Barclays plc**; Steve Ellwood, **HSBC Bank**

Ev 83

Lord Whitty and David Hunter, **Department for Environment, Food and Rural Affairs**

Ev 106

## List of written evidence

---

Professor Sir John Marsh	Ev 1,14
Tenant Farmers Association	Ev 15
Country Land and Business Association	Ev 31,45
National Farmers' Union	Ev 59
Dr James VH Jones	Ev 76,89
Barclays plc	Ev 79
Department for Environment Food and Rural Affairs	Ev 99,116
The National Hop Association	Ev 122
TG Redsell Ltd	Ev 122
Compassion in World Farming	Ev 122
HR Oliver-Bellasis	Ev 124
Slovak Republic	Ev 126
RSPCA	Ev 127
English Nature	Ev 130
Sir Don Curry	Ev 134
Food and Drink Federation	Ev 137
Agricultural Industries Confederation	Ev 141
Woodland Trust	Ev 142
Dairy Industry Association Limited	Ev 144
RSPB	Ev 148
Processed Vegetable Growers' Association	Ev 153
Countryside Agency	Ev 157
Family Farmers' Association	Ev 160
Environment Agency	Ev 162
Central Association of Agricultural Valuers	Ev 167
Ulster Farmers' Union	Ev 173
Royal Agricultural College	Ev 173
Local Government Association	Ev 174
English Heritage	Ev 176
Water UK	Ev 178
National Beef Association	Ev 180

## List of unprinted written evidence

---

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1 (tel: 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Professor Sir John Marsh (Attachment)

Country Land and Business Association (Attachment)

Dr James Jones (Appendices)

Blackcurrant Growers' Association (Background note)

Czech Republic Ministry of Agriculture (PowerPoint Presentation)

## Reports from the Committee since 2001

---

### Session 2003–04

Sixth Report	Marine Environment	HC 76
Fifth Report	The Foods Standards Agency and Shellfish	HC 248
Fourth Report	Environmental Directives ( <i>Reply, HC 558</i> )	HC 103
Third Report	Caught in the net: Cetacean By-catch of dolphins and porpoises off the UK coast ( <i>Reply, HC 540</i> )	HC 88
Second Report	Annual Report of the Committee 2003	HC 225
First Report	Water Pricing ( <i>Reply, HC 420</i> )	HC 121

### Session 2002–03

Eighteenth Report	Conduct of the GM Public Debate ( <i>Reply, HC 443, Session 2003-04</i> )	HC 220
Seventeenth Report	Biofuels ( <i>Reply, HC 88, Session 2003-04</i> )	HC 929-I
Sixteenth Report	Vets and Veterinary Services	HC 703
Fifteenth Report	New Covent Garden Market: a follow-up ( <i>Reply, HC 123, Session 2003-04</i> )	HC 901
Fourteenth Report	Gangmasters ( <i>Reply, HC 122, Session 2003-04</i> )	HC 691
Thirteenth Report	Poultry Farming in the United Kingdom ( <i>Reply, HC 1219</i> )	HC 79-I
Twelfth Report	The Departmental Annual Report 2003 ( <i>Reply, HC 1175</i> )	HC 832
Eleventh Report	Rural Broadband ( <i>Reply, HC 1174</i> )	HC 587
Tenth Report	Horticulture Research International ( <i>Reply, HC 1086</i> )	HC 873
Ninth Report	The Delivery of Education in Rural Areas ( <i>Reply, HC 1085</i> )	HC 467
Eighth Report	The Future of Waste Management ( <i>Reply, HC 1084</i> )	HC 385
Seventh Report	Badgers and Bovine TB ( <i>Reply, HC 831</i> )	HC 432
Sixth Report	Rural Payments Agency ( <i>Reply, HC 830</i> )	HC 382
Fifth Report	The Countryside and Rights of Way Act 2000 ( <i>Reply, HC 748</i> )	HC 394
Fourth Report	Water Framework Directive ( <i>Reply, HC 749</i> )	HC 130
Third Report	The Mid-term Review of the Common Agricultural Policy ( <i>Reply, HC 615</i> )	HC 151
Second Report	Annual Report of the Committee 2002	HC 269
First Report	Reform of the Common Fisheries Policy ( <i>Reply, HC 478</i> )	HC 110

### Session 2001–02

Tenth Report	The Role of Defra ( <i>Reply, HC 340, Session 2002-03</i> )	HC 991
Ninth Report	The Future of UK Agriculture in a Changing World ( <i>Reply, HC 384, Session 2002-03</i> )	HC 550
Eighth Report	Hazardous Waste ( <i>Reply, HC 1225</i> )	HC 919
Seventh Report	Illegal Meat Imports ( <i>Reply, HC 1224</i> )	HC 968
Sixth Report	Departmental Annual Report 2002 ( <i>Reply, HC 1223</i> )	HC 969
Fifth Report	Genetically Modified Organisms ( <i>Reply, HC 1222</i> )	HC 767
Fourth Report	Disposal of Refrigerators ( <i>Reply, HC 1226</i> )	HC 673
Third Report	Radioactive Waste: The Government's Consultation Process ( <i>Reply, HC 1221</i> )	HC 407
Second Report	The Countryside Agency ( <i>Reply, HC 829</i> )	HC 386
First Report	The Impact of Food and Mouth Disease ( <i>Reply, HC 856</i> )	HC 323