



House of Commons
Environment, Food and Rural
Affairs Committee

**Agriculture and EU
Enlargement:
Government Reply to
the Committee's
Report**

**Third Special Report of Session
2004–2005**

*Ordered by The House of Commons
to be printed 12 January 2005*

HC 221
Published on 18 January 2005
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The 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.

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/efracom

Committee staff

The current staff of the Committee are Matthew Hamlyn (Clerk), Fiona McLean (Second Clerk), Jonathan Little and Dr Antonia James (Committee Specialists), Marek Kubala (Inquiry Manager), Louise Combs and Jim Lawford (Committee Assistants) and Anne Woolhouse (Secretary).

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 5774; the Committee's e-mail address is: efracom@parliament.uk.

THIRD SPECIAL REPORT

The Environment, Food and Rural Affairs Committee reported to the House on *Agriculture and EU Enlargement* in its Seventeenth Report of Session 2003–04, published on 22 October 2004 as HC 421. The Government's Reply to the Report was received on 23 December 2004.

Government response

Introduction

The Government welcomes the report of the Environment, Food and Rural Affairs Committee into Agriculture and EU enlargement. The report provides a useful assessment of the state of the agriculture sectors of the ten New Member States (NMS), the effect of transitional arrangements and reform of the sector in preparation for accession as well as the impact of enlargement on the agricultural markets of Europe. This response is provided on behalf of the Government, but incorporates the response of the Food Standards Agency.

Impact of accession on agriculture in the new Member states

Recommendation 1

While the New Member States struggle with their current weaknesses, including structural fragmentation and a lack of capital investment, we consider that they are unlikely to be in a position to undermine agricultural markets in the UK.

The prospect of accession as well as the process of aligning national legislation with the *acquis communautaire* and enforcing EU veterinary, phytosanitary, animal welfare and food safety standards prior to accession has caused the New Member States to undergo a period of development and restructuring of their agricultural sectors. The strength of the sectors, the extent to which consolidation has taken place and the availability of capital investment vary across the New Member States, but all these areas have improved during the period leading up to accession.

The Government agrees with the Select Committee's conclusion that it seems unlikely that this strengthening poses an immediate challenge to agricultural markets in the UK. Recent statistics compiled by Eurostat on arable crops show that, while the New Member States account for 25.7% of total crop area and 35.8% of root crop area, their yields lag behind the rest of the EU. Cereal yield figures in the new member states are at least one third lower than in the EU15, and more than 40% lower for common wheat and rye. Features of the agriculture sector in the New Member States such as this, and the fact that the UK market is more focused on value-added products than New

Member States mean that it is unlikely we will see a substantial increase in net imports from the Accession Ten in the short to medium term, a view shared by the National Farmers' Union (NFU) in the memorandum they submitted.

Recommendation 2

The ability of the NMS to implement the transitional agri-food measures is of critical importance, as the discovery of sub-standard food in circulation on the single market would bring the whole system into disrepute. Lax safety standards in the NMS could undermine consumer confidence in all food products across the whole of the EU. We recommend that the UK Government use all its influence to ensure food safety standards continue to be upheld.

The Government agrees that implementing rules and requirements for agri-food establishments and the transitional agri-food measures is of critical importance in ensuring the safety of consumers in the UK and throughout the single market.

The implementation of transitional agreement agri-food measures is now well under way. When the EU agreed to transitional measures all the agri-food establishments involved were provided with detailed up-grading programmes. Produce from these establishments is specially marked and cannot enter the single market. The Commission monitors progress and compliance with EU rules in both new and old member states.

The ten New Member States have implemented the existing body of EU law in the *acquis communautaire*, including in the area of food controls. They have established new Border Inspection Posts and are operating the controls to prevent non-EU-compliant products from finding their way on to the internal market.

At the Border Inspection Posts on the new eastern border, which stretches from Estonia to Slovenia, standards are identical to those enforced on products entering the UK from a third country. The European Commission is responsible for monitoring compliance and ensuring the high standards of controls carried out in all twenty-five Member States. No irregularities have been reported in the ten New Member States to date.

In addition to safeguard provisions set out in EU rules, Article 58 of the Accession Treaty provides an additional safeguard clause, which the EU may invoke if there is a risk to the functioning of the internal market.

Recommendation 3

We believe that the UK Government should press the Commission to address the adequacy of the accession countries' internal scrutiny systems. It is essential that the GM status of exports from the NMS can be assured.

Decisions to approve genetically modified organisms are only taken after an EU-wide evaluation process. Under EU legislation each proposed release of a GM product is

subject to a detailed risk assessment which involves careful scrutiny by scientists. The UK will continue to insist, both through contact with Commission officials and bilaterally with officials from Member States, that all Member States properly scrutinise GM products and that scientists used by Member States for this purpose are highly trained and independent.

The Government agrees that insisting on a high standards for all Member States' internal scrutiny systems is essential as any concerns with GM products need to be picked up by other Member States during the application process. New applications on GM food and feed are assessed centrally by the European Food Safety Authority. An evaluation is made of all the risk factors that may arise, including possible toxic or allergenic effects and the likely consequences of any gene transfer to other organisms. This takes account of relevant evidence from tests and trials as well as existing scientific knowledge. The Government takes a precautionary approach and will only agree to the commercial cultivation of a GM crop if it is satisfied that it is safe.

Recommendation 4

Further targeted rural development programmes are important in helping the NMS to overcome their weaknesses, particularly with regard to the modernisation and restructuring of their agriculture sectors. Rural development policies also offer the best opportunity to diversify and generate non-farm income.

The Government agrees with the recommendation, and would point out that rural development programmes are important not just in addressing the modernisation of the agriculture sector, but are also central to the economic future of rural areas overall. All rural development programmes need to be set in the context of, and contribute to, wider rural economic objectives.

The UK is pressing for 50% of future rural development programmes funding to be used for meeting shared EU environmental objectives.

Recommendation 5

The evidence we received on the agricultural implications for the NMS was of course received prior to enlargement. A few months on, it is still too early to determine what the full impact of accession will be. It does seem, however, that fears of markets being immediately flooded by products from the NMS were not grounded in fact. We consider that the agricultural potential of the NMS will not be realised until its farming sector is restructured; such restructuring will take some years to complete. The environmental concerns, which came from official as well as other sources, deserve serious attention. We also believe the UK Government should explore ways in which it can use its existing knowledge and experience to assist the NMS in achieving their environmental targets.

The Government agrees with the Committee's assessment that it is too early to evaluate the full impact of accession and that fears of the market being flooded by products from the New Member States were exaggerated.

Defra continues to offer practical help to the New Member States in their implementation of EU environment and agriculture rules. We will continue to look for opportunities to co-operate through EU measures, including twinning and Technical Assistance and Information Exchange (TAIEX) programmes, which involve long and short term expert exchange, as well as through bilateral contacts and by providing advice to our counterparts in the agriculture and environment administrations in these countries. Currently we are involved in a project helping Poland to develop their Rural Development Plan. We are also hoping to meet two delegates from the EU Integration Department of the Polish Environment Ministry early in January.

Defra's Environment for Europe Fund promotes environmental protection and sustainable development in Central and Eastern Europe, as well as in the Caucasus and Central Asia and supports activities of environmental organisations in these countries. The Small Environment Projects Scheme in the EU and candidate countries has provided small scale assistance to address immediate environmental problems.

Impact of enlargement on agriculture in the UK

Recommendation 6

The Government should do more to identify investment opportunities and encourage exports of UK farm produce to the NMS. Specific funds should be allocated to target these new market opportunities, with improved trading relationships facilitated by UK embassies.

Defra gives Food From Britain more than £5 million a year to promote UK exports. Food From Britain works with UK Trade & Investment and local partners including British Embassies to help UK companies enter or develop new markets in countries like Poland, Hungary and the Czech Republic.

Recommendation 7

Overall we consider that enlargement represents more of a challenge than a threat to the UK farmer.

We agree with this conclusion. Enlargement of the single market presents opportunities for both the UK and the New Member States to win new markets. Like the NFU the Government views enlargement as presenting more opportunities than threats, particularly for the value-added sector. The Government hopes that UK agri-businesses will make the most of the opportunities that enlargement offers.

Other issues

Recommendation 8

We regard it as important that the European Parliament's increased responsibility in agricultural policy-making should not be dominated by what the Minister so strikingly described to us as one of the least progressive elements of the EU, the Agriculture Committee. We share his concerns and urge the UK Government to continue to push for further agricultural reform.

The Government will work constructively with the European Parliament's Agriculture Committee before, during and after the UK's presidency of the EU. The Government is committed to building on the substantial reform of EU agriculture policy that has already been achieved by pressing for further progress towards a sustainable, fair and cost effective Common Agricultural Policy.

Recommendation 9

It is inevitable that finite budgetary resource will be spread increasingly thinly across an enlarged Europe. As EU membership grows to 25 and beyond, the need for structural and cohesive funds will compete more fiercely against demands for agricultural support. The longer-term effect can be only in the direction of reduced agricultural support for farmers in longer-standing EU Member States such as the UK.

The Government remains committed to bringing about a sustainable Common Agricultural Policy which would support farmers across both old and new Member States. Although funds are limited, the money currently being spent in the ten New Member States on agricultural support and structural and cohesion funds is included in the EU Budget ceilings which were set at Berlin in 1999.

Conclusion

The Government will continue to work to achieve a successful enlargement of the EU. Despite the striking differences in agriculture in the New Member States, as detailed in the report, the accession in May does not appear to have had a detrimental impact on agriculture in the UK or in the EU. The Government will continue to work for a more sustainable CAP and targeted rural development programmes. The EU regards Bulgarian and Romanian accession as an integral part of the enlargement process and has agreed terms and conditions for agriculture along the same lines as for the ten New Member States. Defra will continue to work with both new and old Member States in an EU of 25 or in an EU of 27 with a view to promote sustainable agriculture for the benefit of all citizens of an enlarged community.