

## UK DEVOLVED ADMINISTRATIONS' JOINT POSITION ON THE FUTURE OF THE CAP

1. The recent EU Commission Communication on the future shape of the Common Agricultural Policy (CAP) marks the formal beginning of a reform process that could have far-reaching consequences across a broad spectrum of rural life within the Devolved Regions of the UK. CAP funding makes a vital contribution to sustaining farming and food production, as well as enabling the farming community to deliver a wide range of environmental outcomes that are highly valued by society. In the absence of CAP support, the large majority of our farmers would be non-viable, which would have unacceptable negative consequences for our rural economy, our rural environment, our rural landscapes and our rural communities.
2. Therefore, we strongly believe that adequate funding for the CAP is critically important to ensure that the objectives of the CAP can be delivered fully and effectively. We agree with the Commission that these objectives can best be delivered under a two Pillar CAP.
3. We believe there is a very clear ongoing justification for Pillar I Direct Payments, which includes the fact that they underpin the delivery of valuable public goods through active land management on a territory-wide basis. They also help sustain rural economies and enable producers to meet the cost of complying with the higher production standards required by European society. Direct Payments must, therefore, remain in place. Pillar II provides the tools by which we can pursue flexible, tailored and targeted interventions to boost competitiveness, enhance environmental outcomes and pursue a broader rural agenda.
4. Within Member States, we accept that Direct Payments should be reformed so as to phase out the historic basis for allocation to individual farmers. However, given the heavy reliance of farmers on these payments and the potential for significant redistribution, we firmly believe that regional administrations must be given sufficient flexibility to set a timetable for adjustment which balances the needs of the constituent elements within their respective agricultural industries, including those not currently covered by the historic-based system.
5. We fully understand the desire of the Commission to enhance the legitimacy of the CAP by seeking to green Pillar I and target support more accurately to active farmers. We await with interest its more detailed proposals on these particular aspects of the reform proposals. However, we urge the Commission to avoid the risk of creating a regime that lacks transparency or policy coherence, that is difficult and burdensome to administer and that would be open to audit criticism and sanction.
6. We would also encourage the Commission not to overlook the fact that Pillar I Direct Payments already underpin the delivery of significant public goods by supporting traditional agricultural activity and land management. Furthermore,

we trust that the Commission will recognise the legitimacy of existing and traditional forms of land tenure and not seek to impose restrictions or conditions on time-honoured landlord/tenant relationships.

7. Both the Direct Payments and Market Support regimes within the CAP must, of course, be designed so that farmers' production decisions are guided first and foremost by market signals and consumer demand. However, we welcome the view of the Commission that the Market Support elements of the CAP must remain sufficiently strong and flexible to provide a genuine market safety net (while minimising any potential market distortion). We must retain an ability to respond to the market extremes which are beyond the capacity of individual farmers to address.
8. We welcome the Commission's commitment to examine ways of improving the balance and distribution of added value along supply chains, with a view to boosting the economic sustainability of primary production. We await specific proposals with interest.
9. The allocation of Pillar II funding to Member States must move to an objective and equitable basis which is linked more to need and less to the past propensity of Member State governments to invest in their rural environment and communities.
10. In the absence of modulation, which we see as a hugely divisive policy instrument, an improved funding allocation for the next programming period is the only means by which our respective Administrations will be able to deliver balanced and meaningful Pillar II programmes, particularly to enhance environmental outcomes and to meet climate change challenges.
11. The future Rural Development regime must continue to support sustainable economic growth, competitiveness and diversification as well as agri-environment and community projects. The balance between these objectives should be at regional discretion and reflect regional priorities.
12. Therefore, we strongly urge that the design of Pillar II, as well as Pillar I, must contain sufficient and explicit regional flexibility to enable our Devolved Administrations to tailor measures to meet our specific needs. These include the needs of the Less Favoured Areas, which contain valuable landscapes and habitats and where farming is characterised by inherent low profitability and, in some areas, the risk of land abandonment.
13. We recognise the efforts of the Commission to date to advance the simplification agenda. We believe that the forthcoming reform presents a golden opportunity to make further and significant gains in this area. The CAP must be simplified in order to keep administrative costs for farmers and governments to the minimum necessary to deliver the policy objectives. Therefore, we propose that all policy proposals must be screened against a simplification template with this in mind.
14. In particular, the current EU audit system needs to be reformed with the aim of achieving controls on CAP payments which are proportionate and which

represent value for money. There must be an explicit recognition of the true costs and benefits of control mechanisms and an acknowledgement that eliminating all error involves disproportionate administrative cost and represents poor value for money. The imposition of flat rate percentage corrections on EU receipts is a crude and punitive mechanism which needs to be replaced with a system whereby disallowance is proportionate and targeted.

15. In summary, we seek a CAP that is strong, well funded, equitable, which provides the basis for sustainable and competitive food production, which recognises and rewards the role of farming in safeguarding and enhancing our natural assets, which contributes to the broader socio-economic development of our rural communities and which adheres to the principles of simplification and better regulation.
16. We look forward to constructive engagement with the Commission, in developing a CAP that meets these objectives.