

**Dyddiad:**                    5 Gorffennaf 2000  
**Amser:**                      9.00am - 12.30pm  
**Lleoliad:**                    Ystafell Bwyllgora, Adeilad y Cynulliad Cenedlaethol

Nid yw'r cyfieithiad Cymraeg ar gael ar hyn o bryd.

## **BUDGET ISSUES FOR 2001-02**

### **Purpose**

1. To assist the Committee's consideration of its budget priorities for 2001-02 and its response to the Finance Secretary's paper 'Building a Better Wales Together'.

### **Summary**

2. The paper gives information on performance in 1999-2000, short-term priorities and pressures and progress towards the *betterwales* targets for 2003 and vision for 2010.

### **Timing**

3. The Committee gave preliminary consideration to the paper 'Building a Better Wales Together' from the Finance Secretary at its meeting on 7 June. It has been asked to respond to that paper by 14 July.

### **Consideration**

4. At this stage in the budget-setting process the Committee is not asked to consider the detail of budget lines, but to assess the way in which programmes funded under the Agriculture & Rural Development MEG contribute towards the *betterwales* vision and targets, and the extent to which changes might need to be made to them, in order to ensure that resources are properly aligned with the Assembly's priorities and to ensure that resources are being used in the most effective way to achieve our targets. Committees are asked in particular to address the following questions:

1. do you agree with the vision for 2010?
2. are some of the targets more important than others?
3. what needs to be done to achieve these outcomes?
4. what are the policy and/or resource implications of any changes?

5. The following paragraphs provide a summary review of performance in 1999-2000, priorities and

pressures in the short term, and progress towards targets.

### ***Review of 1999-2000***

6. The relevant key priority identified in *betterwales*, and the associated results wanted by 2003, were as follows:

#### **Promote a sustainable future for Welsh agriculture and forestry within a modern rural economy:**

1. The value added per person employed in agriculture to grow at least as fast as productivity in the economy as a whole; and the number of jobs in the dairy, lamb and beef processing sectors to increase by about 5 per cent.
2. Updated action plans for the lamb, beef, dairy and organic sectors to be agreed within the Agri-Food Partnership.
3. An action plan for strengthening training, information and advisory services to help farms adapt to be agreed with the Agri-Food Partnership, by December 2000.
4. The proportion of agricultural land covered by an agri-environmental agreement, or which is registered as organic or is being converted to organic status, to reach nearly 25 per cent.
5. The added-value of forestry to Wales to increase by developing small-scale sawmills, biofuels and increasing by 10 per cent the area of woodlands brought into active management on farms.
6. To achieve a better balance of employment between sectors in rural areas and lower levels of out-migration of young people by implementing the Rural Development Plan.

7. Considerable progress has been made against these challenging short-term targets. In particular:

1. A very broad range of work has been undertaken in implementing the Agri-Food Strategy, which will have the key role to play in achieving targets relating to added value and job creation; the Committee has been given regular reports on progress;
2. research has been commissioned and completed into the prospects for success of a number of alternative sectors; the results are currently being evaluated;
3. the Farm Development Strategy Group has identified five priority areas aimed at improving technology transfer and enhancing farmers' business and IT skills; a progress report has been prepared for today's Committee;
4. the first 600 agreements under the Tir Gofal whole-farm agri-environmental scheme have been signed, and applications for the second year of the scheme are now being processed;
5. the Organic Farming Scheme was launched, and additional resources were provided in-year to ensure that all the applications - more than 250 - could be accepted;
6. provision for the development of biomass and short rotation coppice has been written into the Objective 1 Single Programming Document and the Rural Development Plan for Wales;
7. the Rural Development Plan was submitted to the European Commission in December 1999, and

negotiations are now at an advanced stage, with approval expected during the Summer.

8. The implementation of the Rural Development Plan, which marshals resources of £450 million for measures to improve the economic and environmental sustainability of the rural areas of Wales (and which is complemented by the actions proposed under Priority 5 of the Objective 1 SPD in west Wales, and also by the Objective 2 and 3 plans and the LEADER Plus initiative), will be of crucial importance in achieving the targets set for 2003. Modulation of production subsidies, combined with Treasury match funding (subject to the outcome of the Comprehensive Spending Review) will make a significant contribution to the funds available. The framework for coherent action has been provided: the next step will be to ensure that the arrangements for implementation - which are already the subject of intensive work - provide an effective basis for delivery of the programmes of action which are envisaged.

9. Nevertheless it is important to recognise that despite the successes which have been achieved, and the actions taken to reach the targets listed above, the rural economy remains in a state of fragility. Welsh agriculture continues to face enormous pressures, despite the very heavy degree of subsidy through the Common Agricultural Policy. It continues to struggle with the aftermath of the BSE crisis, the high value of sterling, changes following the Agenda 2000 reforms, including to Hill Livestock Compensatory Allowances, and the general trend towards greater market exposure to world market competition. The result is that farm incomes are at a very low level, with only limited prospects of a significant improvement in the short term and a decline in the number employed full-time in agriculture.

10. The issues are:

- how do we best provide support to enable farming families to develop the skills to respond to the challenges they face in securing a sustainable future - economically, socially and environmentally;
- how do we best encourage a future based on collaboration and diversification.

The foundations have been laid for a more sustainable rural economy in the medium to long term, and it is vital that the focus on moving towards the *betterwales* vision is maintained, but it would be unrealistic to expect substantial change in only one or two years.

### *Priorities and pressures*

11. There are a number of underlying factors which need to be considered in coming to a view on likely priorities and pressures for the period 2001 to 2003: the key imponderable may be the extent to which external economic forces (such as the recent strength of sterling or market price levels) are likely to continue to create difficult conditions for farmers to combat. This may have a disproportionate influence on the progress which can be made towards the achievement of medium-term targets within the present budgetary provision. It will also be important to take into account:

1. the need to ensure that adequate funding is available for the implementation of the core elements of the Agri-Food Strategy - lamb and beef, dairy and organic. A key issue will be ensuring that

bidders have access to matching sources of funding for Objective 1 and Rural Development Plan resources;

2. the extent to which the opportunities identified in alternative sectors - in particular organic horticulture, aquaculture and short rotation coppice - are further developed in the short term; in the light of the Scottish Agriculture College study, it will be important to prioritise action in this area;
3. the implications of implementing the recommendations of the Farm Development Strategy Group;
4. the conclusions of the research into the potential for developing fisheries activities in Wales. This results of this research will be available in the early Autumn;
5. the cost implications of any decision to introduce a scheme designed to improve the position of young entrants to the farming industry. The conclusions of the research project commissioned earlier this year are now available and will be the subject of separate discussion;
6. the increased cost of existing agri-environment schemes (a recurrent cost consequent upon the Commission's delay in accepting the Tir Gofal scheme) together with potential budgetary pressures arising from the unit cost of Tir Gofal agreements;
7. the extent to which the budget for the Organic Farming Scheme is committed to existing agreements, constraining the scope for significant expansion in future years;
8. a range of other pressures not driven by pro-active policy developments but which nevertheless have to be addressed, including adequate provision for TB compensation and cattle identification work.

### ***Rolling betterwales forward***

12. The *betterwales* vision for the year 2010 for agriculture and rural development states that:

Excluding direct subsidies, the added value for every person employed in agriculture should have risen faster than productivity in the economy as a whole and the number of jobs in the dairy, lamb and beef processing sectors should have grown by at least 10 per cent. The area of agricultural land covered by an agri-environmental scheme, registered as organic or in conversion to organic status must have increased significantly.

13. As part of the corporate and budget planning process we need to reconsider this vision and in particular to test the benchmarks against the questions raised in paragraph 4. It may be that the Committee concludes that some of them (those relating to agri-environment) are insufficiently well defined, but that in general it is too early to change the vision, which remains relevant as a high-level statement of our aspirations for the longer-term future of the agricultural and wider rural economy of Wales. In any case, it is intended that a follow-up document to *Farming for the Future* should be published, setting out our vision for the long-term development of a sustainable agriculture sector, and the steps which the Assembly can take to assist in this development.

### **Cross-cutting themes**

14. The Committee should consider the extent to which developments in its subject area contribute towards, and need to take account of, the Assembly's over-riding themes: the promotion of equal opportunities, tackling social disadvantage, sustainable development, the simplification of programmes and improved delivery mechanisms through partnership working.

15. The key theme for this Committee is that of sustainable development, for which the Assembly Secretary for Agriculture & Rural Development acts as champion. The Committee needs to take a view on how to ensure that the Assembly's sustainable development duty should impact on spending programmes, now and in the longer term, and needs to judge whether current programme delivery reflects its commitment to sustainable development, and to the integration of the social, environmental and economic aspects of this theme.

16. So far as the other themes are concerned, equality of opportunity is a key driver of the farming adaptation agenda, which recognises the need for farming families as a whole to consider their options and to develop business skills in the widest sense. Equally, the question of social disadvantage, which is particularly pertinent in a rural context, is being tackled through the wider rural development proposals associated with the Rural Development Plan - including action to sustain rural communities and develop community-led and voluntary sector initiatives for improvement. A key component of the drive to simplify programme delivery is the JIGSAW initiative, which has already sought to implement a more customer-friendly approach to CAP administration and which - subject to EC agreement - has as one of its prime objectives the simplification of the subsidy payment and farm inspection regime. Finally, the proposals emanating from the Farm Development Strategy Group and the agri-food strategy more widely are strongly focused on collaborative working to deliver coherent programmes of training and business advice to farmers.

### **Action for the Committee**

17. The Committee is asked to consider the issues raised and to let the Assembly Secretary for Agriculture & Rural Development have its views by 14 July.

### **Contact point**

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