

## CAP reform process criticised...

The process for debating proposals for the reform of the Common Agricultural Policy (CAP) has been criticised by farmer's unions and representative groups, while farmers themselves have expressed fears that the proposed changes to the CAP will increase bureaucracy and make their jobs more difficult. The reforms will replace the current CAP, which closes at the end of 2013, and aim to introduce a more effective policy for maintaining a competitive and sustainable agricultural industry.

The first official version of the proposals for the reform of the CAP was published by the European Commission (EC) in October, but was criticised by Defra for not addressing the key issues in the challenge of making farming more productive and protecting the environment. Initial proposals must go through as many as 30 separate stages before becoming EU law, during which time the plans will be altered and negotiated in an effort to satisfy the differing needs of agriculture ministers from all 27 member states.

David Richardson, farmer and writer for a leading weekly

agricultural publication, has expressed concerns that, along with the inevitable geographical differences of the member states, the difficulty of reaching a decision will be worsened by the economic differences between states. For example, the priorities for reform of a country such as Germany will be vastly different to those of Greece.

The UK's agriculture minister Jim Paice demonstrated this conflict when speaking at the Oxford Farming Conference in January 2012. Mr Paice said that changes to the Pillar 2 element of the CAP should encourage innovation, investment and research and development in farming, but subsidies through the EU's single farm payment should be reduced to improve self-sufficiency and food security.

He said, "we are working in Europe to reform the CAP so it encourages improved competitiveness and better environmental performance, with less reliance on subsidies." However, he admitted that, while the Council of Farm Ministers supported his vision, the EC and some member states, particularly newer EU members, did not. The EC Agriculture Commissioner Dacian Cioloș will write the proposals for CAP change after consulting with member states. However, as well as ministers, MEPs are now also able to contribute to the debate, and with lobbying organisations putting pressure on decision makers from various sides, doubts have been raised as to whether a satisfactory decision can be reached by the current deadline of 1 January 2014.

Read more at:  
<http://snipurl.com/21kl42x>



## ...with 'green' CAP reforms dividing opinion

Reforms to the CAP that introduce environmental protection measures should also encourage productivity and profitability in the farming industry, EU farming organisations agreed at a meeting of the COPA-COGECA presidium in December.

Ed Bailey, president of NFU Cymru, said that representatives at the meeting had established that any changes to the environmental aspects of the CAP should be gradual and should allow member states to exercise "discretion on the basis of objective criteria to differentiate payments to reflect differences such as land type."

Bailey also said that there was agreement that any 'greening' of the CAP should "integrate environmental

*protection and the production process in a way that contributes to efficiency and productivity.*" Representatives were also opposed to proposals to assign 30% of the basic payment to greening measures.

In his annual New Year message, NFU president Peter Kendall expressed concerns that efforts to 'green' the CAP would not bring benefits to the environment but would result in increased regulatory and administrative burdens for farmers.

At a subsequent Environment Council meeting, the decision was made to allow agriculture ministers to "decide the level of integration of environment into the CAP". Environmental campaigners claimed

that this was a victory for the farm lobby but weakened biodiversity measures in the CAP proposals. Tony Long of the WWF claimed that protection of biodiversity should be a major part of all relevant EU and national policies rather than putting the level of environmental policies in the hands of agriculture ministers.

European Environment Commissioner Janez Potocnik said the Commission regretted the "deletion of all concrete indications on the required way forward to strengthen the contribution of the common agricultural policy to biodiversity objectives."

Read more at:

<http://snipurl.com/21op5gl> and <http://snipurl.com/21op5ki>

## planning for water

Rising levels of drought could be combated by building more on-farm reservoirs, according to the Country Land and Business Association (CLA). Farmers are currently restricted in building reservoirs by complex planning and permitting rules, which the CLA would like to see relaxed. Without access to sustainable water supplies, farming enterprises can be severely hampered by drought. In particular, yields of combinable crop such as barley and wheat can fall, and, as livestock pastures brown off, feed costs can rise.

Prolonged dry spells in recent years have caused severe agricultural drought in the UK, with water supplies available to farmers dwindling. In 2011, it was estimated that drought cost UK farmers around

£400m. Some farmers lost their entire crops, while dairy and livestock farmers saw the wholesale price of grain soar as they struggled to feed their animals. In addition to these direct financial impacts, farmers also had to cope with logistical challenges caused by the droughts.

According to the CLA, the problem could be alleviated if there was a more sympathetic planning and permitting system in place that would allow farmers to build reservoirs on their farms in order to secure a sustainable supply of water.

CLA President Harry Cotterell said: "The current planning system is complicated and expensive. It imposes significant upfront costs and

*environmental impact assessments which result in delays over non-planning consents."*

Current Government policy favours protecting agricultural land for food production and for the purposes of flood protection and coastal defence, rather than surrendering it to water. The Government issued its Water White Paper in December 2011, announcing changes to the water abstracting licensing system. However, in response the CLA pointed out that less than 2% of water is abstracted for agricultural use, and reiterated the fact that more on-farm reservoirs are required.

For more information, go to <http://snipurl.com/21kkagy>



## in brief...

### **Red Tractor's animal welfare scheme criticised**

The Red Tractor assurance scheme has been criticised by animal welfare groups for failing to provide more than minimum standards of welfare in turkey farming. A new report, published by Compassion in World Farming (CIWF) and OneKind, ranked assurance schemes for turkey farming according to animal welfare criteria such as husbandry, genetics and stockmanship. Red Tractor assured poultry was given the lowest ranking, and was criticised for failing to protect the welfare of turkeys and complying only with minimum legislative requirements. David Clarke, chief executive of Red Tractor, denied this, saying that the report used selective analysis that did not accurately represent the scheme. <http://snipurl.com/21kn3ua>

### **Climate change could improve farmland for crops**

The effects of climate change could make more than 90% of UK farmland more suitable for crops by 2100, according to a report by the MET Office. The report claims that climate change projections indicate that farmers would benefit from warmer temperatures, longer growing seasons and fewer frosts, and improving growing environments for certain crops such as soybeans, wheat and sunflowers. However, the report also warned that water shortages and heat stress could result in yield failures in some areas, such as the South and South East of England. Energy Secretary Chris Huhne has said that the overall impact of such changes could be extremely damaging to the UK.

<http://snipurl.com/21kn9g2>

<http://snipurl.com/21kn9rq>

### **MEPs call for delay in farm policy reforms**

Plans to reform the Common Agricultural Policy (CAP) should be delayed until the financial crisis in the EU has been resolved and the next round of budgets have been approved, several MEPs said at a recent debate. Italian MEP Giovanni La Via argued that decisions about the so-called 'greening' of Pillar 1 should be put off until after the Multi-national Financial Framework (MFF) has been debated. German MEP Albert Dess also claimed that CAP reforms could leave farmers with less money and more bureaucracy. Farm Commissioner Dacian Ciolos agreed that some elements of the reforms seem complicated, but added that the European Parliament has "looked at how they apply to the real world and their potential effects." There is more on this story at:

<http://snipurl.com/21kn5tj>

### **EU agreement gives dairy farmers more power**

MEPs have agreed new rules to allow dairy farmers more power to negotiate fair prices for their milk. The European Dairy Package, which is expected to be adopted by European Parliament in February, will allow EU states to enforce compulsory contracts for farmers. Contracts will include a written offer for raw milk, guaranteed for at least six months, which the farmer can reject and negotiate. James Nicholson, of the UK Agriculture Committee negotiating team, said the proposals will "re-tip the balance to ensure farmers get a fair price for the milk they produce." However, Rob Newbery of the NFU, said that the proposals do not go far enough, arguing that the agreement "does little more than maintain the status quo".

<http://snipurl.com/21kn7zz>

### **Government announces no ban on illegal egg imports**

The sale of imported eggs produced in battery cages will not be banned in the UK, agriculture minister Jim Paice has announced. Mr Paice said that "tough action" would be taken to prevent the sale of imported eggs produced in this way, but cited significant financial and legal restraints and practical difficulties in enforcing the rules as the reasons behind the decision not to introduce a ban. Since 1 January 2012, egg producers have been required to provide hens with larger cages with nesting and scratching areas. However, the European Commission (EC) failed to reach an agreement on EU-wide control measures for egg-production, and 13 member states continue to allow egg production in the smaller battery cages. Despite this, Mr Paice has said: "it will be difficult for producers who have not complied with the EU directive to find an outlet in the UK."

<http://snipurl.com/21knbg8>

### **Specialist poultry is the fastest growing meat on sale**

Speciality birds such as guinea fowl, poussin and pheasant are the fastest growing meat on sale, according to Tesco. The supermarket claims that demand for speciality poultry has doubled in the last six months of 2011, peaking over the Christmas period as consumers sought alternatives to conventional roast dinners. Specialist poultry buyer at Tesco Nick Hall said its popularity was partly driven by the increasing use of game in recipes by celebrity chefs, adding that "just five years ago we would only have sold these birds in a handful of stores, predominantly in countryside towns. But now we are seeing strong and growing sales in more urban areas."

<http://snipurl.com/21kniciu>

## growing income from UK farming

Early estimates show that overall UK farming income increased in 2011. According to Defra, the Total Income from Farming (TIFF) is predicted to show a 2% rise for 2011, reaching almost £5 billion. That would mean that the TIFF has been valued at more than £4 billion for four successive years. Overall agricultural output is projected to increase by 11%, but much of this growth has been offset by increases in costs, particularly fuel, fertilizer and animal feed costs.

Defra has also revised its figures for 2010, showing the TIFF for that year as £4.651 billion, up 0.9% on 2009.

However, this increase was lower than the rise in inflation. Adjustment to take into account inflation shows a decline in real terms of 3.6%. However, Defra's figures reveal that farming contributed £7.4 billion to the UK economy in 2010, an increase of 5.3% on the previous year, representing the highest level since 1997.

According to the NFU, the figures indicate that the farming industry is maintaining some stability, and is playing an important part in stabilising the overall UK economy. Quoted in the Farmers Guardian, NFU chief economist Phil Bicknell said: *"Hot on the heels of some gloomy figures for the wider UK economy, these figures are a reminder of the role farming can and will play in leading the country back to sustainable economic growth."* Bicknell added that members were confident about their long-term



future, but warned that the farming industry still faced 'challenging business conditions', particularly with costs set to continue to rise.

The TIFF is the preferred measure of aggregate farming income, based on national and international accounting principles. It is designed to reflect the performance of the overall farming industry, and therefore doesn't measure specific trends within different types of farming. Full forecasts for 2011 will be published by Defra in January 2012. <http://snipurl.com/21kkur7>

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## cheaper loans paying off

An increasing number of farmers are taking advantage of reduced rate loans provided via the European Investment Bank (EIB), which has made funds of £27 billion available to small businesses across Europe since the onset of the current financial crisis. The funds are loaned at reduced rates to banks, which must pass on the reduction to customers. The reduced rates represent a typical discount of between 0.6% and 0.8% on standard interest rates. UK banks such as Lloyds TSB, Barclays and Royal Bank of Scotland have borrowed more than £1.7 billion from the EIB on behalf of their customers.

Available to small and medium-sized businesses with fewer than 250 employees, EIB-funded loans are particularly attractive to farmers as most types of agricultural projects are eligible for borrowing under the scheme. Examples of eligible projects include the building of sheds and stores, the purchase of lorries or tractors, or the erection of farmscale wind turbines or solar panels.

However, land purchases, loans for short-term working capital and all types of refinancing aren't eligible.

Farmers can apply for an EIB-funded loan through any participating UK bank. Terms and discounts vary, but as an example EIB loans are available through Lloyds TSB with a discount of 0.8% on loans with terms of 2 to 10 years, and 0.6% with terms of 11 to 25 years. The minimum amount that can be borrowed is £25,500, and the maximum is set by the EIB at €12.5 million (approximately £10.4 million). According to Lloyds TSB, farmers taking out an EIB-funded loan of £100,000 over a ten year term can save £4,000.

The EIB loan fund is limited, and each bank will have its own individual limits on the funds they have available. In addition, in November 2011 the Daily Telegraph reported that the EIB was scaling back its funding, reducing the amount available and tightening its lending criteria.