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The Rt Hon Lord Boswell
Chairman
Select Committee on the European Union
House of Lords
London
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18A November 2018

Dear Tim

EM 9645/18: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING RULES ON SUPPORT FOR STRATEGIC PLANS TO BE DRAWN UP BY MEMBER STATES UNDER THE COMMON AGRICULTURAL POLICY (CAP STRATEGIC PLANS) AND FINANCED BY THE EUROPEAN AGRICULTURAL GUARANTEE FUND (EAGF) AND BY THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) AND REPEALING REGULATION (EU) NO 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AND REGULATION (EU) NO 1307/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (AND ADD 1)

9646/18: COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT ACCOMPANYING THE DOCUMENT PROPOSALS FOR A - REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING RULES ON SUPPORT FOR STRATEGIC PLANS TO BE DRAWN UP BY MEMBER STATES UNDER THE COMMON AGRICULTURAL POLICY (CAP STRATEGIC PLANS) AND FINANCED BY THE EUROPEAN AGRICULTURAL GUARANTEE FUND (EAGF) AND BY THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT (EAFRD) AND REPEALING REGULATION (EU) NO 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AND REGULATION (EU) NO 1307/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL - REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE FINANCING, MANAGEMENT AND MONITORING OF THE COMMON AGRICULTURAL POLICY AND REPEALING REGULATION (EU) NO 1306/2013 - REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATIONS (EU) NO 1308/2013 ESTABLISHING A COMMON ORGANISATION OF THE MARKETS IN AGRICULTURAL PRODUCTS, (EU) NO 1151/2012 ON QUALITY SCHEMES FOR AGRICULTURAL PRODUCTS AND FOODSTUFFS, (EU) NO 251/2014 ON THE DEFINITION, DESCRIPTION, PRESENTATION, LABELLING AND THE PROTECTION OF GEOGRAPHICAL INDICATIONS OF AROMATISED WINE PRODUCTS, (EU) NO 228/2013 LAYING DOWN SPECIFIC MEASURES FOR AGRICULTURE IN THE OUTERMOST REGIONS OF THE UNION AND (EU) NO 229/2013 LAYING DOWN SPECIFIC MEASURES FOR AGRICULTURE IN FAVOUR OF THE SMALLER AEGEAN ISLANDS (AND ADD 1-2)

9634/18: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE FINANCING, MANAGEMENT AND MONITORING OF THE COMMON AGRICULTURAL POLICY AND REPEALING REGULATION (EU) NO 1306/2013 (AND ADD 1)

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Thank you for your letter of 31 October 2018, in relation to our Explanatory Memorandum (EM) on the above proposals.

I shall respond to each of your comments in turn.

We recognise that your priority is to introduce the best possible framework for UK farmers and the UK agricultural environment, but must once again remind you that diverging systems of support has the potential to affect the competitiveness of UK farmers in relation to their EU counterparts. We therefore urge you to assess what this impact may be, and request an update on your findings once you have done so.

The Common Agricultural Policy (CAP) reform is still in the early stages of negotiation, and we cannot predict at this stage the scale of amendments to the text which could take place before it is ratified. I don't believe that it would be an appropriate use of the Department's energies to undertake a speculative assessment of the impact of the Commission's provisional proposal for the next CAP round. The proposals as currently drafted do not reflect any of the feedback from EU Member States, nor has the European Parliament established its negotiating position. As the CAP Reform moves through the legislative processes of Presidency amendments, European Parliament amendments and trilogue discussions, the regulation finally agreed is likely to be substantially different to the current proposal.

Having said that, DEFRA officials have been attending all Commission meetings and Council Working Parties to discuss CAP 2020 and keep a close eye on developments, continually assessing, at a high level, whether there are impacts for us in the future. I will therefore keep under review whether any more detailed analysis might be needed as proposals reach a later stage of development.

As part of our publication of the Agriculture Bill, which outlined the Government's ambitions for future agricultural policy, the Department published extensive analysis of the effect of moving away from Direct Payments, alongside an analysis of Government intervention in agriculture more broadly and the economic rationale for our future policy. These documents provide the most substantive analysis of the implications of UK agriculture's divergence from the CAP model that can be produced under current circumstances.

What progress have you made in securing... carve-outs [if necessary], and what would the Articles in question require of the UK if you are not successful in agreeing the necessary exemptions?

To clarify, no carve-outs will be necessary as the draft Withdrawal Agreement confirms - the United Kingdom shall be considered as a third country for the purposes of the implementation of the Union programmes and activities committed under the multiannual financial framework applying as from the year 2021.

There has recently been discussion of a potential extension to the Brexit transition period, beyond the end of 2020. If this were to take place, and if the Proposals were agreed by the date indicated, the UK would be bound by the Regulations. What would be the impact of this on the UK, and has the possibility of an extended transition period affected your approach to negotiations on this dossier?

The Withdrawal Agreement that has been agreed in principle ensures that the UK can choose to request an extension of the implementation period, or enter into a backstop arrangement with the EU, if the future relationship with the EU is not ready by 1 January 2021.

If we were to make use of either option the UK would not be in the CAP. We would be free to introduce a new agricultural policy providing the payments remain within certain agreed limits. As a result, this possibility has not led to any revision of our negotiations approach on this dossier. We are firmly committed to delivering on our ambitious agriculture policy, and we will not be seeking to influence the future CAP.

It is worth noting that the Commission's proposal to bring the new CAP into force from January 2021 is, at the time of writing, only a Commission proposal; several Member States have requested a transition period between the current CAP round and the next to prepare for the reforms, which could see the current CAP rolled over until 2022 or 2023. In summary, we still intend not to apply the next CAP and therefore will not be negotiating to influence its direction.

In addition, please keep us informed regarding the negotiation of these Proposals, and provide an assessment of the impact on the UK of any substantive changes proposed.

Negotiations on the CAP Reform proposals are ongoing, with the Austrian Presidency doing a good job of driving discussion and highlighting those aspects of the proposals where compromise can be secured. The Commission's proposals for the next CAP are ambitious, and working-level discussion has been detailed and thoughtful. We continue to attend all CAP reform meetings and observe the negotiations with interest. We have not identified any substantive changes which would impact on the UK.

I am copying this letter to Sir William Cash MP, Chairman of the European Scrutiny Committee. I am also copying this letter to the Clerks of the Commons and Lords Committees, Lynn Gardner and Chris Johnson respectively; Les Saunders, Department for Exiting the European Union; and Tess Hanneman, Defra Scrutiny Co-ordinator.



GEORGE EUSTICE MP