-----Original Message-----
From: ccu.correspondence@defra.gsi.gov.uk
[SMTP:ccu.correspondence@defra.gsi.gov.uk]
Sent: 16 February 2012 14:27
To: xxxxxxxxxx
Subject: Response to your Query : - Ref:DWOE000259854 - CAP and Dairy Production

Dear xxxxxx

Thank you for your email of 28 January about CAP reform and the market. I have been asked to reply.

The UK wants a very substantial cut to the CAP budget, focused on Pillar 1. Pillar 2 should have a larger share of a smaller CAP Budget. We want a very substantial reduction in the size of the CAP budget with a higher proportion of CAP funds for cost-effective delivery of public goods, such as protection of the natural environment and climate mitigation. We want a fair deal for UK farmers and taxpayers within a smaller CAP budget.

We want to see improved value for money, and the scope to encourage a real improvement in productivity and innovation in the agriculture sector, in order to prepare for a future without income support.

The CAP should not be about public subsidy for food production; rather it should be about helping the EU agriculture sector to become more competitive and market-oriented whilst providing environmental public goods that the market does not reward. Moving away from the production subsidies that fuelled artificial over-production has been one of the most effective reforms of recent years.

The present system of market measures is complex and the UK Government supports the Commission's focus on streamlining and simplifying existing market instruments. However, market price support (including intervention systems and export refunds) is a highly inefficient way to support farmers and tends to undermine the development of private sector mechanisms which can help EU producers to manage risk more effectively and improve efficiency and productivity. It should be used only as a safety net when there is a real crisis.

Market price support combines with import barriers to increase the cost of food to EU customers (by £19bn in 2009 according to OECD estimates), and export refunds distort international trade. In our view, price support and other market instruments should be set at levels which ensure that they are used only in times of real crisis and when there is a risk of severe market disruption. The Commission's proposals to abolish a number of minor aid schemes are welcome; but we believe they should go further.

Yours sincerely

xxxxxxxxxxx
Defra Customer Contact Unit

Department for Environment, Food and Rural Affairs (Defra)

-----Original Message-----
From: xxxxxxxxx
Sent: 16 February 2012 21:05
To: 'ccu.correspondence@defra.gsi.gov.uk'
Cc: James Paice (E-mail)
Subject: RE: Response to your Query : - Ref:DWOE000259854 - CAP and Dairy Production

Dear xxxxxxxx,

Thank you for your response.

In an ideal world we would pay more for food and less on taxes which support a large EU CAP. Unfortunately the existence of subsidies for food production, and more specifically how much greater these subsidies are in countries across the borders from England, has in the last 10 years cost England dearly and is continuing to do so.

Milk production has been moving out of England since 2001 into Wales and Scotland and since 1994, and perhaps before this, into Northern Ireland. On analysing farm income, and the proportion of this which is due to subsidy, it is clear that farmers in England are having to compete with farmers across its borders whose income contains a far greater proportion of production-based subsidy. Northern Ireland is perhaps different because their market is more export based so their changing conditions are more dependent on commodity price. However the movement of production into Wales and Scotland is very telling. Although the production in these countries is small compared to England's, there has been steady movement of production into Wales and Scotland since 2001 and the gap in how these production levels have changed has been growing ever since.

Perhaps the EU will not be able to successfully legislate to prevent concessions to countries who are objecting to the greening of Pillar 1. If concessions are made or countries are able to implement schemes which support their own farmers, your drive to substantially cut the CAP budget, focused on Pillar 1, carries great risks. In fact other countries, who have not gone so far, are continuing to hold back. This suggests a very uncertain future for England. What do you think will happen to dairy farming in England if they have to continue to operate in a very uneven playing field? It would appear however judging by your email that you have absolute faith in this level playing field being achieved in a timescale which does not irrevocably further damage England's ability to produce. Either that or your concern if this does not turn out to be the case is relatively small compared to the concern in other countries.

I cannot disagree that moving away from the production subsidies that fuelled artificial over-production has been one of the most effective reforms of recent years. In fact globally it has undoubtedly been very beneficial. However locally in terms of milk production, and no doubt other farming sectors as well, it has also been very affective at moving production out of England. If the sentiments in your email are representative of the current administration (which judging by some of the things which James Paice and David Cameron have said, they are), this movement of production out of England is likely to continue for many years to come should EU reform of the CAP fail to curb protectionism in other countries.

Yours sincerely,

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