

## Organic Farming and Agricultural Policy Briefing Paper

### 1. The impact of CAP reform on Organic Farmers in Wales.

*This is the first of a series of occasional briefing notes intended to inform interested parties of matters relating to organic food and farming policy issues.*

### Summary

Many organic farmers in Wales will receive lower single farm (SPS) payments under the CAP reform than their conventional counterparts. This is despite making a significant contribution to environmental protection and the rural economy and being encouraged to convert by government incentives in order to achieve these goals.

The reasons for lower payments are that hardship mechanisms enabling single payment adjustments for agri-environment scheme participants, including organic producers, who reduced their stocking rates, do not apply to dairy farms or to the pioneer organic farmers who converted without support.

For dairy producers, the hardship mechanisms do not apply as eligibility for SPS payments is based on current milk quota held. Due to lower stocking rates, this will translate into lower payments per hectare than for conventional farms that have remained intensive.

Long-established organic farmers who converted without government support will receive lower SPS payments than their conventional counterparts, because they were not participants in agri-environment schemes at the relevant time, although they are now eligible for maintenance support under the organic farming agri-environment scheme.

Farmers may also have contacted their AM's and Union offices concerning the refusal of SPS hardship adjustments despite their participation in the Organic Farming Scheme (OFS). The refusals were due to a strict interpretation of the EU regulation: farmers who started conversion and reduced their stocking rates before joining the Organic Farming Scheme could not show that they had reduced stocking rates as a result of joining the scheme.<sup>1</sup> However, starting conversion before joining the scheme was a requirement of the OFS, and in many cases there were substantial administrative delays before applications were approved. The Welsh Assembly Government has now accepted that, where administrative delays<sup>i</sup> did lead to stocking rates being reduced before OFS applications were approved, farmers can now qualify for hardship adjustments and previous decisions will be reviewed..

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<sup>1</sup> The Organic Farming Scheme, which replaced the original Organic Aid Scheme, opened for applications in October 1999, but closed the following month due to insufficient funds (a backlog of applications had built up while the scheme was being reviewed) and the need for the scheme to be re-approved under the new Rural Development Regulation. The OFS scheme was closed for most of 2000 but farmers were actively encouraged to convert and to apply once the scheme re-opened, receiving assurances that this would not affect their applications. As a result many farmers achieved organic certification and started reducing their stocking some time before joining the Organic Farming Scheme once it re-opened. Further delays in processing applications occurred during 2001 due to FMD and subsequently the prioritization of applications to other schemes.

We have attempted to set out these complex issues as clearly as possible but should further clarification be needed, please contact Organic Centre Wales as detailed at the end of this paper

## The issues

### 1. Organic dairy farmers will receive lower SPS payments than their conventional counterparts in the future because the setting of SPS payments is based on current milk quota held, and the non applicability of hardship mechanisms in these cases

Dairy farmers, including non-organic dairy farmers, were not directly supported by CAP payments during the reference period (support was indirect through price support mechanisms). In contrast to other CAP-supported enterprises, the Regulation sets dairy SPS payment levels according to quota holding in May 2005. There is no hardship mechanism.

As a result of their organic management the current quota holding per hectare for organic dairy farmers is usually **lower than their more intensive conventional counterparts**; therefore they will be perpetually disadvantaged and any other dairy farmer wishing to convert to organic production subsequently is likely to have a potentially significantly higher SPS payment than the existing organic dairy farmer. **This will give newcomers a competitive advantage against early converters.**

This situation is not unique to organic dairy farmers – it applies to all dairy farmers participating in agri-environment schemes where stocking rates may have been reduced, but the reality is that very few conventional specialist dairy farmers joined Tir Gofal or other schemes.

There was a mechanism through the National Envelope to support such environmentally friendly methods, but the entire Envelope option was rejected in the UK.

The National Reserve is the remaining option open to address this problem: **provision has been made for farmers participating in nationally-funded agri-environment schemes, but not for participants in EU-supported agri-environment schemes such as OFS and Tir Gofal.** While it has to operate within the rules set by Europe; there is flexibility over what criteria could be used to allocate the National Reserve. Article 42 (4) of Regulation 1782/2003 allows the use of the National reserve to establish reference amounts “*for farmers finding themselves in a special situation*”. It can be argued that of all agricultural systems, organic dairy farming offers the greatest environment benefits compared with their conventional counterparts, **yet these farmers who joined an agri-environmental scheme which reduced their quota use per hectare will now receive lower payments than conventional farmers or those who may convert in future, and will suffer in the long term** under CAP reform for their decision. This would appear to be a ‘special situation’. Regulation 1782/2003 repeatedly uses the phrase “in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions” yet competition distortion will happen in Wales.

The use of national reserve mechanisms to support organic farmers is not new – organic farming was recognised as potentially eligible under the previous national reserve schemes for livestock headage support quota allocations.

The Organic Strategy Group believes that this is an issue of importance that needs to be addressed for the sake of sustaining the environmental and other benefits to be derived from organic milk production. Access to the National Reserve should be granted to all dairy farmers who were participating in agri-environment schemes in the quota year to 31<sup>st</sup> March 2005.

### 2. Organic farmers who converted without government support.

These are the farmers who converted earliest. These farmers have no recourse to adjusting their SPS payments, which are lower due to their far-sighted conversion, which they undertook without financial support from the Organic Farming agri-environment scheme. Rather than their case being dismissed

because they made their 'business decisions', their decision to farm in a more environmentally friendly way should be supported, particularly bearing in mind that they went down this route without government support. The option to use the National Reserve to support these producers should be reconsidered.

## 1. Conclusion

Organic farming offers significant environmental benefits, recognized by the existence of a specific agri-environment scheme to encourage conversion to and continued organic land management for the public good. Some organic producers are being disadvantaged by the implementation of the Single Payment Scheme. .

The Organic Strategy Group is asking that organic dairy producers and long-term organic producers are included in the eligible categories for national reserve entitlement, and that hardship decisions relating to other producers continue to take fair account of the requirement to start conversion prior to joining the Organic Farming Scheme.

More generally, the Organic Strategy Groups welcomes the de-coupling of support from production, and welcomes the freedom farmers will have to make appropriate management and enterprise decisions.

For clarification or further information, please contact either Dr Nic Lampkin, Director [nhl@aber.ac.uk](mailto:nhl@aber.ac.uk) or Sue Fowler, Policy and Development Officer [smf@aber.ac.uk](mailto:smf@aber.ac.uk) at:

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Organic Centre Wales publishes an e-bulletin. Go to [www.organic.aber.ac.uk/bulletin](http://www.organic.aber.ac.uk/bulletin)

Organic Centre Wales (OCW) was established in 2000 as a focal point for the dissemination of information on organic food and farming to producers and other interested parties in Wales. In 2003, it was agreed that it should extend its focus to public education, public procurement, policy and strategy development, thus providing support to the whole of the organic community in Wales.

OCW is run by a partnership of five organizations actively involved in organic farming research and knowledge transfer in Wales: ADAS, Elm Farm Research Centre (EFRC), the Institute of Grassland and Environmental Research (IGER), the Institute of Rural Sciences at the University of Wales, Aberystwyth (IRS) and the Soil Association. OCW core staff are responsible for the co-ordination of the different areas of activity, with the partners responsible for much of the delivery of services to producers and others. The funding for OCW comes from the Welsh Assembly Government (WAG) and Farming Connect (with additional support from the European Union EAGGF Objective 1 funds) to carry out the co-ordination functions, with additional funding for delivery through a separate WAG Organic Conversion Information Service contract and the Farming Connect Organic Development Programme.