

Annex 1

Update on Set-aside

Purpose

The purpose of this paper is to update the Board on the protection of the environmental benefits of set-aside.

Background

Set-aside was introduced for arable farmers across Europe on a voluntary basis in 1988 as a method of controlling food production. It was made compulsory in 1993, as part of the MacSharry reforms agreed in the previous year. Set-aside requires arable farmers to leave a percentage of land out of food production, although set-aside land can be used to grow industrial crops. Despite decoupling of farm payments it has been retained as an element of the Single Farm Payment. Annual set-aside payments to farmers in England exceed £100 million.

Although set-aside was not established as an environmental measure, it has delivered significant environmental benefits, particularly for farmland birds, small mammals and arable plants. It has also contributed to the reduction in nutrient run off to water courses. Environmental Stewardship factors in the environmental benefits delivered by set-aside.

The European Commission has signalled that it wants to abolish set-aside, on the grounds that such a production control is no longer required in a decoupled world. The UK Government supports its abolition which is expected to occur following the CAP Health Check in 2009. However at the Agriculture Council meeting in July a request to reduce the rate of set-aside to 0% for the 2007/8 growing season was tabled by Sweden. The request was supported by several other Member States and the European Commission has now published a formal proposal, which is due to receive political agreement at the next Agriculture Council meeting in September.

On the 1st August, Defra announced that it would consult with Natural England and the Environment Agency in relation to the environmental impacts of the reduction in set-aside to 0% and the need for measures to secure the environmental benefits of set-aside.

On the 16th August Natural England and the Environment Agency submitted evidence to Defra on the environmental impact and a proposal for a new cross compliance measure be introduced to require 5% of arable land to be placed under active environmental management. The Chairs also wrote a letter supporting the proposal and requesting a meeting with the Secretary of State prior to any decision being taken.

On the 6th September the Chairs met with the Secretary of State to discuss the Natural England – Environment Agency proposal. The Secretary of State indicated that he was looking closely at a proposal from Defra officials based on a voluntary approach and that he believed that there were a number of issues with our proposal. He indicated however that he remained open to further suggestions.

On the 13th September, Natural England and the Environment Agency submitted a revised and more proportionate proposal to Defra addressing the issues raised by the Secretary of State and stressing the planned link to existing set-aside entitlements. On 14th September, the Chairs wrote again to the Secretary of State outlining our revised proposal.

On 26 September the Secretary of State announced how the Government will respond to the 0% set-aside rate. He announced that contrary to the advice of Natural England and the Environment Agency, a regulatory approach will not be taken.

Issues

2007/8

Although set-aside was not designed as an environmental tool, the decision not to use a regulatory approach to address the zero set aside rate for 2007/8, has effectively reduced environmental standards. As a result there will be no minimum level of protection for the habitats and species that currently exist on set aside land, nor for the maintenance of land which has been contributing to the control of nutrient run off from arable land.

None the less, Natural England will continue to work with Defra to ensure the effective monitoring of the environmental impact of a zero % rate of set-aside for the 2007/8 growing season. We have written to the Secretary of State to request that the results of the monitoring are reviewed independently in sufficient time to make a decision for the 2008/9 growing season.

We will also continue to engage with the farming industry to reinforce the effectiveness of the co-operation which already exists on environmental and farming issues and in particular to help identify the best way forward for ensuring the retention in future of the environmental benefits of set-aside.

2008/9

Natural England will hold Defra to its commitment to take further action ahead of the 2008/9 growing season, if it becomes apparent that farmers are returning to production more land than has been forecast.

Post CAP Health Check

At the Environment Food and Rural Affairs Committee inquiry into the Common Agriculture Policy (CAP), Natural England outlined our general support for the UK Vision for CAP which would reduce Pillar 1 payments to farmers. However, we highlighted the need for funding for Pillar 2 to increase to deal with the wider range of environmental issues expected to be delivered by agri-environment schemes. Additional funding for agri-environment schemes could help compensate for the loss of set-aside. The review of cross compliance that will also form part of the CAP Health Check also represents an important opportunity to ensure that minimum environmental standards are not reduced as a result of the abolition of set-aside.