



PRE-DRAFT



**REGIONAL SPATIAL STRATEGY
(RSS)**



TOPIC PAPER 6:

CAP REFORM



**Consultation
Winter 2004/05**



Foreword

The Yorkshire and Humber Assembly has reached another crucial stage in the development of 'PLANet Yorkshire and Humber' - the new Regional Spatial Strategy (RSS). A draft of the new RSS is to be submitted to Government by the end of April 2005.

In preparing the new draft RSS the Assembly is committed to involving as wide a range of organisations and individuals as possible. The preparation process for the new draft RSS therefore provides for two specific periods of public consultation *before* a new draft RSS is prepared and submitted to Government. This is in addition to the continual involvement of many partners in the technical work for the new RSS.

The first consultation document - 'Draft Spatial Vision and Strategic Approach' (July 2004) - considered the overall approach that should guide the preparation of the new RSS (particularly the role of sub-areas), key issues facing different parts of the region and possible responses to these issues.

We have now reached the second stage of consultation. This is based on the need to consider in more detail how we can develop a clear spatial strategy for the region that takes into account all of the issues identified in the RSS Project Plan ('Shaping the Future', January 2004). This second stage of consultation is therefore structured around a series of 'topic papers', of which this is one. The full list of topic papers is:

| | |
|-----------------|--------------------------------------|
| Topic paper 1: | Introduction to Pre-Draft RSS |
| Topic paper 2: | Spatial Options |
| Topic paper 3: | Housing |
| Topic Paper 3a: | Distributing the Housing Requirement |
| Topic paper 4: | Economy |
| Topic paper 5a: | Freight |
| Topic paper 5b: | Strategic Public Transport |
| Topic paper 5c: | Public Transport Accessibility |
| Topic paper 5d: | Demand Management |
| Topic paper 5e: | Aviation |
| Topic paper 5f: | Transport Investment Priorities |
| Topic paper 6: | CAP reform |
| Topic paper 7: | Energy |
| Topic paper 8: | Water |
| Topic paper 9: | Sustainable Tourism |
| Topic paper 10: | Forestry |
| Topic paper 11: | Biodiversity |
| Topic paper 12: | Culture |
| Topic paper 13: | Health |
| Topic paper 14: | Education |
| Topic paper 15: | Minerals |
| Topic paper 16: | Sustainable Waste Management |
| Topic paper 17: | Retail and Leisure |
| Topic paper 18: | Monitoring |
| Topic paper 19: | Climate Change |

Please bear in mind that these topic papers are raising many challenges that policies in the new RSS will need to address. The topic papers do not include draft policies and there will need to be a great deal of integration across topic areas before the policies are drafted. The purpose of this stage of consultation is to receive feedback on what direction you think RSS policy should take.

Please note that these topic papers have not been endorsed by the Assembly, or its advisory body the Regional Planning and Infrastructure Commission. They do not represent Assembly policy but give an important opportunity for a wide range of stakeholders to feed in to the further development of the new RSS for the Yorkshire and Humber region.

Your comments

We would like your comments on these topic papers. You can answer the questions that we ask in the papers or you can send us your general comments.

We need to hear from you by **Friday 18th March 2005** so that your views and ideas can be taken into account as we prepare the new draft RSS to submit to Government.

Please send your comments to

Chris Martin
Regional Planning and Transport Team
Yorkshire and Humber Assembly
18 King Street
Wakefield
WF1 2SQ

Or email them to: emma.hunt@yhassembly.gov.uk

All the topic papers and accompanying documents can be found at www.yhassembly.gov.uk

Strategic Environmental Assessment/Sustainability Appraisal

At each stage of the development of the new RSS, a Strategic Environmental Assessment/Sustainability Appraisal (SEA/SA) is being carried out. At this stage, this appraisal has particularly concentrated on Topic Paper 2 – Spatial Options. The report of this appraisal is also available from the Assembly.

Any queries

If you have any queries about the topic papers, or any aspect of RSS, please call the Regional Planning and Transport team on 01924 331590.

Topic Paper 6 - CAP Reform

Introduction

1. The RSS Project Plan (January 2004) identified the need to look at the future of the region's rural areas as an integral part of the spatial strategy-making process. The adoption of the sub-area approach to regional planning has meant that the needs of the rural parts of the region are being fully considered as the RSS is developed. Topic Paper 2 - Spatial Options – sets out this approach in more detail.
2. During work on the Selective Review of RPG12 (now published as RSS, December 2004), the need for a clear vision for the rural parts of the region was identified. It was felt that the new RSS should help to develop this vision so that policies could be drafted to help to implement it. Whilst work on the new RSS has been underway, the region has started to draft a Regional Rural Framework. This will identify priorities for the rural parts of the region and consider how they can be implemented. Work on the Regional Rural Framework and the RSS therefore clearly need to be fully integrated. The Draft RSS will draw on the work being undertaken as part of the preparation of the Rural Framework, rather than there being a separate visioning and priority-setting exercise for the RSS preparation process. More information on the Framework can be found at www.goyh.gov.uk/yhruralframework.
3. Both the Regional Rural Framework and the RSS will need to reflect the range of changes that are currently affecting funding for rural areas and communities in the region. The RSS Project Plan particularly identified the need to research the potential impact of the reform of the Common Agricultural Policy (CAP) so that any spatial implications could be reflected in the emerging RSS.
4. This paper summarises the key issues that have been identified from research into the potential impacts of CAP reform in the region. The research was commissioned by Yorkshire Futures and undertaken by the Agricultural and Rural Strategy Group at the Central Science Laboratory (CSL) in York. This paper draws directly from text in their final report. The full report of the work is available at www.yhassembly.gov.uk as part of the Planning and Transport library or at www.yorkshirefutures.com as part of their Futures Research Seminars series.

Background

5. The reform of the European Union's Common Agricultural Policy (CAP) (to a Single Farm Payment scheme), was announced by the Secretary of State on 12 February 2004. These changes will impact on the levels, type and use of funding that is available to farmers (and other land managers) in Yorkshire and the Humber. Approximately £180 million per year currently comes into the region from the CAP. The proposed changes are therefore potentially very significant factors to consider when planning for the future development of our rural areas and the use

and management of our land. The full research report from CSL sets out the main elements of reform – ‘decoupling’ of payments from production, ‘modulation’ of funds to different funding streams and ‘cross-compliance’ measures. The main elements of the reform are summarised (very simply) in Annex A. A briefing note on the main changes brought about the reform of the CAP is also available at www.yhassembly.gov.uk as part of the Planning and Transport library.

6. The impact of the changes brought about by the reform to CAP will potentially introduce many opportunities and threats and have implications for the development of many different regional policy frameworks, including the Regional Spatial Strategy and the Regional Economic Strategy. Yorkshire Futures therefore commissioned research into the potential impacts of reform of the CAP as part of its ‘Futures Research Seminars’ series in 2004. The aim of the research was to ensure that the opportunities and threats for the region afforded by reform of the CAP are fully reflected in current and future policy and action planning processes at a number of different spatial scales.

Research

7. The Agricultural and Rural Strategy Group at the Central Science Laboratory in York was commissioned by Yorkshire Futures to investigate the likely socio-economic impacts of Common Agricultural Policy (CAP) reform in the agricultural and non-agricultural sectors in the Yorkshire and the Humber region.
8. The objectives of this study were:
 - To investigate the likely regional impacts of reform of the CAP in the region, including the non-agricultural sector.
 - To establish how these findings should be reflected in the development and review of regional and sub-regional strategies and their implementation plans, including the Regional Spatial Strategy.
 - To provide essential information for strategies such as the Regional Economic Strategy, Sub-regional investment Plans and the Regional Environmental Enhancement Strategy.
9. This research was undertaken in four parts:
 - Desk study analysis of the current situation in Yorkshire and the Humber in terms of production, land use and employment and review of existing relevant studies to inform subsequent research and assessments.
 - Review and description of CAP reform changes and evaluation of how these are likely to impact on the Yorkshire and Humber region.
 - A modelling approach to investigate the impacts of CAP reform on five representative farm types (cereals, dairy, lowland cattle and sheep, hill cattle and sheep and general cropping). This was used to estimate the impact of subsidy reduction and commodity price changes on agricultural land use. In addition the direct and indirect

effects on employment and economy in the region due to changes in agricultural land were assessed and reported in the final report.

- Results obtained from the model recommendations were used to assess the likely or potential impacts of CAP reform in the Yorkshire and Humber region.
10. A seminar for interested regional partners was held when a draft report was available. This allowed comments to be received on the draft report and for threats, opportunities and action points to emerge from discussions. These are attached as an annex to the final research report.

Current picture of agriculture in the region

11. The final research report paints a detailed picture of the current agricultural sector in the region. It states that the Yorkshire and Humber Region is a major agricultural region in England. Production of commodities, such as wheat, winter and spring barley, potatoes, sugar beet, oilseed rape, peas and beans and grass in this region are greater than the regional average (11%) across the nine Government Office Regions in England. In contrast to England as a whole, sheep dominate the livestock sector in the region. Just under one third of pigs in England are to be found in the Yorkshire and Humber Region (largely in the Humber sub-region).
12. The types of crops grown, the size of holdings and the labour force employed in agriculture varies within the region. Using the administrative sub-regions as units, the research sets out the following patterns:
13. The largest area of arable cropping is in North Yorkshire, followed by the Humber. As a percentage of land use, it is similar (about a quarter) in North Yorkshire, South Yorkshire and the Humber but in West Yorkshire arable cropping accounts for about 8% of land use. Horticulture is more prominent in the Humber, due mainly to the large amount of protected crops, field vegetables and vining peas grown for human consumption. North Yorkshire has the highest area of land down to grass, both in absolute terms, and as a proportion of the total area.
14. The number of cattle per holding is greatest in North Yorkshire, with pigs per holding being by far the highest in the Humber. North Yorkshire is a major area for sheep production and there are relatively more fowls per holding in Humber than in the other sub-regions.
15. The total number of holdings is highest in North Yorkshire and least in South Yorkshire, reflecting the respective size of the counties. The average size of holdings is highest in North Yorkshire at 60 ha compared with 45 ha for South Yorkshire, 20 ha for West Yorkshire and 34 ha for the Humber Sub-Region. The total labour force in agriculture (including farmers, managers, workers and casual workers) is higher in North Yorkshire and lowest in the Humber.

Key issues from research

16. The research reaches the following conclusions: as a whole it is predicted that as a result of reform of the CAP, there will be a net downturn in livestock numbers particularly in the lowlands, and a reduced demand for grassland, coupled with a reduction in the cereal area as a whole, though with some intensification into wheat production. Farms classed as 'large' by English standards in all but the general cropping sector, will face the brunt of such changes.

Impacts in arable sectors

17. Farms classed as general cropping are not anticipated to be negatively affected by changes in the support payment mechanism and to benefit as a whole, due to gain of indirect support for previously unsupported (by direct crop-related payment) cash crops such as sugar beet, potatoes and vegetables. However the longer-term profitability of sugar beet production is set to fall significantly as quotas are reduced under reform of the sugar regime, which should begin in earnest in 2006. In cereal dominated enterprises, over the longer term it is anticipated that there would be some intensification of wheat production as the most profitable crop in the rotation.

Impacts on the sheep sector

18. The predicted decline in livestock enterprises in the lowlands has wider impacts on the industry as a whole because these units take lambs from upland and hill units to fatten. Therefore a decline in the lowland sector reduces market outlets for lambs and demand for upland produce that will put additional financial pressures on upland producers in North Yorkshire.

Employment and impacts on rural skills and knowledge

19. It is anticipated that the number of people directly employed in agriculture will continue to decline as a consequence of the restructuring of many farm enterprises. In some remote rural areas, where employment in agriculture predominates, the decline in agricultural jobs is likely to exacerbate existing problems (e.g. in the uplands). Since approximately 43% of the population employed in the agriculture, forestry and fishing sector are over 45 years old, the problems associated with finding a new job will be exacerbated. One impact of this is likely to be the loss of countryside skills and know-how, which could affect not only traditional skills and crafts, but also the ability to develop effective management practices and guidelines for areas of environmental interest. Falling employment rates will also affect economic activity in the region through linkages with the rest of the economy in the region.
20. In some cases the switch from a production-based payment (£/ha of crop or £/head) to a uniform area-based payment scheme will be viewed as an opportunity to exit from farming, reducing management to the minimum required to gain payment, which would mean taking land out of

production. It is not possible to predict the scale of such exit. However, a review of such actions is required to ensure particular habitats of concern or interest are not adversely affected.

Impacts in related industries

- 21.** Changes in the structure of agriculture in the region will also have knock-on effects on both upstream and downstream industries. The greatest risks are to fragile supply chains represented by only a few organisation or companies in the region and sub-regions. The dairy and red-meat supply chains are the ones most likely to be affected.
- 22.** The current excess capacity in large abattoirs will become more critical in future. The reduction in total public support for large cattle and sheep producers will lead to a reduction in livestock numbers exacerbating the current pressures on abattoirs. The lack of capacity in small abattoirs and the existence of a robust network of small abattoirs and local retailers will also be critical to help facilitate development of diversification options by the region's livestock producers.

Diversification – alternative uses for land

- 23.** Lowered profitability in some sectors and movement of land out of traditional crop or animal production will stimulate development and consideration of diversification options to either add value to current production or to develop alternative revenue streams from new agricultural or other enterprises. In 1998, DEFRA estimated that 35% of the farms in the region had additional sources of income (e.g. diversification, or visitor's facilities etc.). In terms of new agricultural opportunities, these are very limited for upland, livestock dominated enterprises and possible options to add value to upland plants, grassland or low value sheep fleeces are in most cases at a very early, pre-commercial stage of development. Opportunities in the lowlands are greater and a wider range of cropping options are possible.
- 24.** While the current regional markets for crop-derived industrial fibres and oils and specialist pharmaceutical and healthcare materials are small, and currently likely to be well supplied, there is significant potential for regional expansion in crops for bioenergy production should demand arise. Development of liquid biodiesel production plants on Teeside, alongside existing facilities for production in the Humber and Castleford, offer good opportunities for the region to supply raw crop materials, given the right market stimulus. Such developments would create parallel markets to the existing food markets, without impacting significantly on individual farms or the regional supply chains. The demand for renewable electricity generation has stimulated markets for arable coppice (willow) in the region to supply co-firing plants at Drax Power Station near Selby N.Yorkshire, though cheap import of wood pellets currently restricts the viability of regional supply. However, support for local combined heat and power units is anticipated to grow, leading to development of local supply chains which offer better prospects for growers in the region and better opportunities for those on

land which is more marginalised in terms of profitability for arable production.

- 25.** For upland and livestock producers there are more and more directly accessible opportunities to add value to produce and to develop direct marketing ventures, though this requires business development support and support to develop other skills in support of such new ventures. Wider regional support for local branding and regional marketing as well as Farmers Markets also helps support such developments. Support for development of regional food and drink business clusters, such as those on the A1 corridor would also help to stimulate regional market demand.
- 26.** There are obviously a number of alternative non-agricultural opportunities which farmers can take advantage of to diversify sources of income. Enterprises linked to tourism offer opportunities in many parts of the region and stimulation tourism in the region and in particular in less well visited parts of the region would help develop such ventures.

Environmental impacts

- 27.** Environmental impacts such as improved soil nutrient status and reduced soil erosion are envisaged due to reduction in livestock numbers. In addition, an improvement of the condition of important habitats (particularly SSSIs), which in turn provides benefits for biodiversity, including farmland birds is foreseen. Air quality and greenhouse gas emissions will be reduced, pollution of watercourses from nitrates, slurry and sheep dip will be reduced and risks of acidification will be reduced following lowered ammonia emissions.
- 28.** On the other hand there is a risk that the condition of certain habitats, including designated wildlife sites, and undergrazing or abandonment of grazing (particularly in the lowlands) will negatively affect the number of farmland birds. Undergrazing could particularly affect some valued habitats, such as the salt marshes of the Humber and hay meadows in North Yorkshire. The potential impacts need to be studied in greater detail on an individual habitat and regional basis and when the cross compliance requirements related to environmental measures are confirmed.

Socio-economic impacts

- 29.** As stated in paragraph 19, the number of people directly employed in agriculture will continue to decline as a consequence of the restructuring of many farm enterprises although at the regional level the direct effects of such a decline will be minor.
- 30.** The reduction in the agricultural output will also have knock-on effects on both upstream and downstream industries (e.g. fertilisers and other agricultural inputs, red meat and speciality food sectors). The excess of capacity in large abattoirs will become more critical in the future. The reduction in total public support towards large cattle and sheep

producers will lead to a reduction in livestock numbers and therefore might make some of the existing plants redundant.

31. Modulation will necessarily entail a redistribution of public support within each agricultural sector (e.g. small farms are likely to benefit more than large ones) and between agricultural sectors (e.g. lowland cattle/sheep and cereals will probably be hit hardest).

Messages for the new RSS

32. This research focused on identifying the potential implications of the reform of the CAP on the region's agricultural sector and its possible wider effects on other sectors as well as related social and environmental issues. These changes will come about on top of the trends that have been apparent in the agricultural sector for many years (including a decline in the numbers directly employed in the sector and a need to diversify to boost incomes) and in the context of nation-wide initiatives to try to change the future development of farming (including the Strategy for Sustainable Food and Farming).
33. Current RSS (December 2004, based on a Selective Review of RPG12) recognises the changes that have been happening in agriculture and has policies to support these changes within the context of sustainable development (particularly Policies E2 and N5 – see Annex B).
34. The Assembly, in partnership with Yorkshire Forward, Government Office (Defra) and The Countryside Agency, published the 'Making the Most of Your Farm' Guide in May 2003 to help farmers needing advice in respect of diversification schemes. In support of the Guide, there was a series of seminars in June 2003 for farmers, business advisors and local planning authorities to get together to discuss how planning policies can be implemented at a local level. This partnership also ran a number of seminars for local authorities in the summer of 2004 to look at wider issues relating to changes in the rural economy and how local authorities might respond to these challenges.
35. A key challenge for the new RSS is to be more spatially specific (i.e. more specific about different parts of the region if this is appropriate). In this context, it is essential to tease out if there are any specific patterns of change that can be anticipated as a result of this research that should be reflected in more spatially-specific policies as the draft RSS is put together.
36. This research has identified that there are different patterns of farm size and type in different parts of the region and this suggests that changes in the funding for the sector through CAP reform could have differential impacts. The research suggests that different opportunities and threats will arise from the changes in the uplands and lowlands of the region and that there are some particular habitats (including the Humber salt marshes and hay meadows of North Yorkshire) that could be particularly vulnerable to change.

Questions for consultation

1. *Should the RSS draw out the spatially-specific threats and opportunities that the research identifies?*
2. *Should the potentially differential impact of CAP reform across the region be picked up more in local policy documents rather than in the RSS?*
3. *Is there more that policy in RSS can do (Annex B sets out current RSS policies that are directly relevant) to support the changes that are happening in the agricultural sector in the context of sustainable development?*
4. *Should there be more emphasis on (and resources put into) how the policies and guidelines can be implemented at a local level rather than making the policies themselves more spatially specific?*

References

The brief for the research can be found at www.yhassembly.gov.uk as part of the Planning and Transport library.

The full report from the research can be found at www.yhassembly.gov.uk as part of the Planning and Transport library or at www.yorkshirefutures.com as part of their Futures Research Seminars series.

A briefing note on the different elements of CAP reform can also be found in the Planning and Transport library at www.yhassembly.gov.uk

Details of the CAP reform package are available at www.defra.gov.uk

Annex A

Main elements of CAP reform

The Single Payment Scheme – ‘Decoupling’

In principle all major farm subsidies will be replaced by a single farm payment (SFP).

This will greatly simplify the CAP and breaks the link (‘decouples’) between subsidies and production.

Modulation

There will be a reduction (known as ‘modulation’) in direct payments (so called Pillar 1) with transfers to Rural Development expenditure (Pillar 2).

For countries other than the UK – which already operates voluntary modulation – the modulation rate will be 3% in 2005, 4% in 2006 and 5% from 2007 onwards.

Cross Compliance

Farmers receiving CAP payments will have to comply with EU standards covering the environment, public and animal health, and animal welfare.

Farmland will have to be maintained in good agricultural and environmental condition.

Member states will inspect a sample of farms every year to ensure standards are adhered to.

Annex B

Policies in current RSS (December 2004, based on a Selective Review of RPG12)

Policy E2 Rural employment opportunities

Employment opportunities and developments should be encouraged in rural areas in accordance with Policy P1 and sustainable development criteria, to support a healthy and diverse rural economy and maintain the vitality of rural communities whilst protecting and enhancing the quality of the countryside.

The overall aim should be to ensure rural regeneration, to maintain and improve the quality of the environment and to help combat social exclusion. In particular, development plans and other strategies should seek to: -

- a) Retain and broaden employment, particularly in sectors important to rural areas and which utilise rural resources in a sustainable manner.
- b) Capitalise on existing skills within the rural workforce as well as facilitating the development of new skills to help to support a broader and sustainable economic and demographic base.
- c) Encourage improved access to work in rural areas through such means as training, business advice, childcare and local public transport.
- d) Encourage investment in ICT services, including community-based schemes, to help to address communication difficulties in remote areas.
- e) Promote development in and around towns and villages that have, or where there is the potential for, relatively good public transport links and where a reasonable balance between jobs, services and housing can be achieved.
- f) Reduce the need to travel to work by private car where possible whilst recognising the difference in car reliance between those areas which are not well-served by public transport.
- g) Consider the provision of high quality, flexible workspace as entry/low-cost premises including the re-use of existing buildings, to assist SMEs.
- h) Encourage forms of diversification on farms, or in rural areas, which help to create a viable rural economy and strengthen the development of local food chains that support sustainable development objectives and are in accordance with Policy P1. In this regard, development plans should:
 - (i) set out criteria-based policies that make it clear how local circumstances will be taken into account in assessing farm, and other, diversification schemes and how (if at all) farm diversification activities should relate to a working farm
 - (ii) set out how the use of whole farm plans and appraisals might be expected to be used to support farm diversification schemes
- i) Give full consideration to potential employment and economic uses of existing buildings, including suitable farm buildings, in rural areas.

j) Enable tourism to develop in an integrated and sustainable way in accordance with Policy E6.

k) Ensure that the impacts of development on the wider countryside are properly assessed in accordance with Policies N1 to N5, where appropriate in liaison with adjoining planning authorities.

Policy N5

Agriculture and environmental support measures for sustainable land management

In preparing and implementing their development plans and other strategies, local authorities and others should:

(a) ensure that, if, following application of the locational principles in Policies P1, E4 and H2, the development of agricultural land is unavoidable, areas of poorer quality land are used in preference to that of higher quality except where other sustainability considerations suggest otherwise.

(b) promote and reinforce agri-environmental support measures in order to encourage forms of sustainable land management that integrate wildlife, biodiversity, landscape, water and flood management, waste, renewable energy, historical, recreational and access objectives with agricultural objectives.