

WEDNESDAY 4 MARCH 2009

Present

Arran, E.
Brooke of Alverthorpe, L.
Caithness, E.
Cameron of Dillington, L.
Dundee, E.
Sewel, L. (Chairman)
Ullswater, V.

Witness: **Ms Maria Rosander**, Agricultural Counsellor, Sweden, examined.

Q493 Chairman: Thank you very much for coming to help us with our inquiry into the LFA. Sweden is an interesting country because of its strong agricultural interest and challenging, if not totally severe, conditions.

Ms Rosander: Definitely.

Q494 Chairman: Could I explain that we are a Sub-Committee of the House of Lords EU Select Committee. We are carrying out an inquiry into the review of the LFA scheme. This is a formal evidence-collecting session and a note will be taken of what you say. As soon as we get back home a transcript will be produced and a copy sent to you and you will be able to revise it and take out any slips and errors that have crept in. Perhaps you would begin by giving us a general background of the importance of LFA in Swedish agriculture. I suppose you could start with the proportion of the agricultural land in Sweden that is designated LFA and the proportion that is eligible to receive LFA payments.

Ms Rosander: Thank you for having me here. It is very nice. It gives me a good excuse to learn more about LFA as well.

Q495 Chairman: We have all found that. I think some of our colleagues have found that too.

Ms Rosander: We have good experts in our capital so they help us out. Of the total agricultural area in Sweden 48 per cent is LFA. Of that 22 per cent is mountainous areas and 56 per cent of the total LFA is intermediate, which leaves 21 per cent for specific handicaps. I have some statistics. I will give you the sheet so that you can look at the figures.

Q496 Chairman: Lovely, thank you.

Ms Rosander: You also had a question regarding part of the income that is contained in LFAs. We do not really have any Swedish calculations on how important the LFA payments are for the single farm income. We have the Commission's calculations, the FNVA, farm net value added; I do not know if you are familiar with that. Looking at those numbers which have been calculated by the Commission and not checked by Swedish authorities, the figure for intermediate LFA payments is 34 per cent LFA under the farm net value added, compared with 18 per cent for the UK and 37 or 38 per cent Finland, which is the only one with a higher percentage.

Q497 Chairman: We have just had your Finnish colleague here.

Ms Rosander: Yes, I met him on the way out. It is an important part of the farm income in those areas, or not a negligible one, at least.

Q498 Chairman: Why do you not have your own statistics? I would have thought you would want your own statistics just to see how important the income was.

Ms Rosander: I really do not know why we do not. We have a lot of statistics, so it cannot really be a data problem. Maybe this is confidential information, which it should not be. I am not sure; I am sorry¹.

Q499 Lord Brooke of Alverthorpe: How much of your rural development budget does Sweden allocate to the LFA scheme, and what do the Swedish public expect to obtain in return for their investment? Is support in your opinion targeted precisely enough at present to deliver the desired return from the objective that you are after?

Ms Rosander: I have a few more numbers for you. Fourteen per cent of the EAFRD budget is allocated to LFA schemes and, looking to the rural development programme, it is 21 per cent of the payments in Axis 2 in Sweden. The public expects that these payments will help to keep land in production, that land will not be abandoned and that we can continue with an open landscape and a landscape with variation. There are a lot of forests in Sweden and if we do not have support policies like this it will all grow into forests and the public expects to go out into the countryside and see open fields and pastureland and grasslands and not just forests. I guess you can say it is always possible to target more but I think we are quite satisfied. We have an animal link. You have to have animals to receive these payments in the northern part. In the northern part it is very difficult to grow crops. It is grassland; that is the way to cultivate the land, so by having this animal breeding link we pay for having grassland production which, as we see it, contributes to the objective. It is rather targeted since we have this animal link.

Q500 Lord Brooke of Alverthorpe: Is there any evidence of abandonment taking place?

Ms Rosander: Yes, of course.

¹ After the meeting my experts explained that the recipients of LFA-payments also normally receive agri-environmental payments as well as Nordic aid. This makes it difficult to calculate the proportion of the income coming only from LFA-payments.

Q501 Lord Brooke of Alverthorpe: I have spent quite a lot of time in Jamtland.

Ms Rosander: That area specifically is not that badly affected, I think. It has a lot of dairy production there and that has actually increased.

Q502 Lord Brooke of Alverthorpe: I seem to have experienced a lot of families seeing their children leave and not want to continue farming but simply use their homes as summer residences.

Ms Rosander: Yes, of course, that is a problem. It is difficult to live that far away. The infrastructure is good but it still takes quite a long time to go to bigger cities or abroad. In Jamtland dairy production is okay compared to the counties around, but, of course, there are big signs of land abandonment. When I looked at the figures of how much LFA area we had at the time of our accession, which was in 1995, it was 59 per cent and now it is 48 per cent, so for me who did not know anything I was like, “Oh, that is strange, that it is such a smaller part now”, but that is because -----

Q503 Chairman: It has gone out of production. Should maybe be “out of production”?

Ms Rosander: Yes, and production as such has diminished more in those counties than we are producing in the southern regions which are not LFAs and then, of course, the percentage is diminishing. However, I do not think it is quicker in Sweden than in any other European country. I think it is about the same pace.

Q504 Viscount Ullswater: Could you explain to us where you see the LFA payment fitting into the other payments that are given to agriculture, particularly the single farm payment, and then any other agri-environment scheme which might be available under Pillar 2?

Ms Rosander: Of course, I got your questions ahead and I saw that one and I asked myself if it was a trick question.

Q505 Chairman: We never do that! Shame on you!

Ms Rosander: To me that also is easy. That is why I asked myself, “Is there something else that they would like me to answer on this?”, because the single farm payment is an income support, keeping up the income for producers. The agri-environmental schemes are for producing environmental benefits that society wants and the LFA is for compensating for natural handicaps, so there should not be any environmental link to the LFA. We should not be paying LFA to receive environmental benefits. It is just compensation for natural handicaps. That is how I understood the question but maybe you were looking for something else.

Q506 Viscount Ullswater: I suppose you have answered it in your earlier answers in that you see the LFA payment as being essential for keeping agriculture going in those designated areas. With the single farm payment, obviously, the amount of agricultural activity could drop because it is not tied so much to production or to farming income.

Ms Rosander: No. It will probably keep some sort of landscape open since we have cross-compliance but you would not see grazing animals when travelling in the countryside, so the LFA helps bring some sort of societal benefit.

Q507 Viscount Ullswater: It is more of a landscape protection payment, do you think? It is to maintain the landscape?

Ms Rosander: That is what it leads to but the intention with the payment is to compensate for not having enough income, which makes this whole system very confusing, but we should not get into that. We were paying historically for good production in some regions and now we are paying on the other hand for those who do not have the possibility to produce. It is a confusing system, looking at the whole agricultural policy.

Q508 Chairman: Is it possible to say that it is not an income support system?

Ms Rosander: Yes. That is not the purpose of the payment.

Q509 Chairman: It is not the purpose but that is the effect, is it not?

Ms Rosander: Yes, that is so, I guess, with all the subsidies or supports you get. It helps your income.

Chairman: A number of your colleagues, I have to say, see it foremost and almost entirely as an income support measure.

Lord Cameron of Dillington: But they do not necessarily admit it.

Q510 Chairman: They do by the time we have finished with them!

Ms Rosander: That is clear. That is what we say with the decoupled payments, with the farm payments. It is not supposed to contribute to production but, of course, it does because it is a base. It helps me, having that secure base in my production. It helps me to make my business decisions in the rest of the company, so, of course, it is helping my income but it is not an income support as such. In trying to reform the whole political area, which we would like to do in Sweden, I think it is necessary to try to keep the focus on what we are supposed to achieve with this support and, I guess, the other supports, trying to keep the objectives separate and clear in order to try to reform them and see what it is that society wants and then operate to that.

Q511 Chairman: It is the benefits that society gets, is it not?

Ms Rosander: Yes. It is a very theoretical discussion but, of course, it is an income support at the same time.

Q512 Earl of Arran: Changing the subject to criteria and in particular to designation criteria, you have already got biophysical criteria which are being discussed at the moment.

In your opinion, are there additional or alternative designation criteria that should be being discussed at the same time?

Ms Rosander: Now we are getting into the questions where I do not have a lot of answers to give you; I am sorry – or am I going too fast now?

Q513 Lord Brooke of Alverthorpe: Question 4.

Ms Rosander: Yes – sorry, I do have an answer to your question.

Earl of Arran: Good; I was getting worried.

Q514 Chairman: And the answer is “Maybe”!

Ms Rosander: I will answer the other ones as well. It is just that we have commissioned an assignment to the Board of Agriculture to look into these issues more, so we do not have any definite answers. As I started saying, we are positive about these biophysical criteria that the Commission is discussing with us and we think we should try using them as a basis for delimitation on natural handicap payments. The only extra criteria we have discussed are small and irregular fields, and that is linked to what I said before about the forests, that we have a lot of forests in this area which makes it difficult to have larger fields brought together, so you have a little field here and there due to the physical shape of the land, and that is what we are talking about. Our experts think that this is included in the criteria as suggested by the Commission anyway, so it is not anything that we are pushing for or suggesting should be brought in. That is what is specific to Sweden, and for Finland probably as well.

Q515 Earl of Arran: Are your farmers keen to retain the status quo or are they pushing for a change in the LFAs?

Ms Rosander: They are quite reasonable, actually, and I think they see the need for a change to make it clearer that this is a payment to compensate for natural handicaps and not for socio-

economic reasons. We have other policy areas to deal with that. At the same time they know that we are probably not going to lose out that much in the total area.

Q516 Earl of Arran: So you are keen on their behalf to come to the negotiating table?

Ms Rosander: “Keen” is a very positive word. We have not had a discussion with them. I think they are reasonable in thinking that we have to look into this. I think it is possible to look out for their interests as well. I think it is other Member States which have bigger issues with their national farming associations. I do not think we will lose out that much on agricultural land in the review.

Q517 Lord Brooke of Alverthorpe: Which states do you think will have most difficulties – off the record.

Ms Rosander: Off the record. (There followed a discussion off the record)

Q518 Viscount Ullswater: You have agreed to some harmonisation of overarching criteria set at EU level.

Ms Rosander: Yes, absolutely.

Q519 Viscount Ullswater: But your definition of “small and irregular fields” you think should be left to the flexibility that a Member State might be able to include. Is that the way you look at it?

Ms Rosander: No. What my experts have told me is that they believe that this is covered by the biophysical criteria proposed by the Commission so there is no need for us to propose other criteria. The concerns for Sweden, looking to the designation criteria, are pretty much covered. Coming to the next question of the eligibility criteria, there we see the need for more national flexibility.

Q520 Lord Cameron of Dillington: Judging from your previous answer, you are probably going to say you cannot answer this one.

Ms Rosander: Yes.

Q521 Lord Cameron of Dillington: The main question, which you have already answered, is what degree of harmonisation do you think is necessary within the eligibility criteria?

Ms Rosander: Again, what my experts have told me is that we should have some sort of base or framework within the Union for all the Member States but then it is very important to give flexibility to each Member State to meet country-specific conditions, and for Sweden it is, for instance, this issue of long distances because the smaller scale of field makes transportation very long between fields for the same farmer who has to transport himself quite a bit between his fields and the forests which might also be quite a way from other civilisations.

Q522 Lord Cameron of Dillington: That is one of the main ones?

Ms Rosander: Yes.

Q523 Lord Cameron of Dillington: Other countries have excluded certain types of farm and farmers and farming practices. Would you have any rules like that?

Ms Rosander: We do not know. As I said, we have commissioned the Board of Agriculture to look into this and help us come up with an answer. We have independent authorities in Sweden, and this is one of those areas where they will try to help us answer this question, so they are analysing it at the moment.

Q524 Lord Cameron of Dillington: It sort of goes back to what the taxpayer is expecting this to provide.

Ms Rosander: Exactly. In principle we do not have a problem with intensive and extensive farming but, of course, it is a political issue. It is political in both ways because at the same

time one side of the population is saying that we should pay for extensive farming that might contribute to biodiversity and keep the landscape open, and then we have the other side which says that those who contribute to production should be supported because they are needed for the national food industry and so on. I guess it is a delicate political balance to keep.

Q525 Earl of Caithness: Can I take you on to the payment formula? Do you like the new payment formula proposed by the Commission of “additional costs and income foregone related to the handicap”, and, if you do, how are you going to interpret that in Sweden, and do you think it will lead to convergence payments across Member States?

Ms Rosander: Unfortunately, there again I have to refer to this assessment that the Board of Agriculture is doing, so I do not have an answer to that either. Again, though, one of the issues we have asked them to look into specifically is this long distances issue. I think they are probably counting the other way round, seeing if we can receive the same type of payment as we do today if the future payment is similar to today’s payment with the changed payment formula. I cannot really answer until we have that report from the Board of Agriculture.

Q526 Earl of Caithness: When do you expect that?

Ms Rosander: We expect that at the end of the year.

Q527 Earl of Caithness: Given that that is likely at the end of the year and all the other data that is needed, is the Commission’s proposed timescale for all of this realistic, or do you think the reform of the LFA should be incorporated into a wider reform of CAP?

Ms Rosander: As I have understood it, the plan from the Commission is not to deal with this until the next financial perspective. We are now trying to find the data and have the Member States deliver the data and the mapping, but the political debate on the future of the LFA

definition will be done in 2012 or 2013, so I do not think we have to have this discussion now.

Q528 Chairman: How important an issue is this going to be for your own Presidency?

Ms Rosander: Up until just a few weeks ago we did not think it would be important at all, but now we understand that the Commission might be a bit late in delivering this communication on the LFAs, so it might be something that we will have to deal with during our Presidency.

Q529 Chairman: In that the Czechs are going to have their presidential conclusions on this.

Ms Rosander: Yes, if they have time. It is going to be tight if this comes at the end of May and then they have the conclusions in June because it is politically sensitive with Member States saying that they will not touch it until 2012, so now we have to start re-thinking our planning and see how we will deal with this. We will deal with it, of course, because we think it is important that we find a new solution for this, but at this stage I am not even sure it is going to be any legal proposals or whether it is just going to be some sort of encouragement for Member States to deliver data.

Q530 Chairman: The interesting thing is that when we started looking at this we thought it was going to be a very limited technical exercise, and the more we have delved into it the more it has become absolutely apparent that there are very strong political dimensions that divide Member States.

Ms Rosander: Very strong, and, as you say, when you start looking at this it is a question of delivering data, of course; that is what Member States do, and then suddenly your Member State is saying, “No, we are not going to give you any data”, and then you see how political something is.

Q531 Chairman: I can tell you this: the Commission have an answer to Member States which say, “We are not going to deliver data”.

Ms Rosander: From the present perspective it is difficult, starting to talk about conclusions like the Czechs are. If they do not have time we will inherit this dossier and we will start thinking about conclusions. Do we want to have the Presidency conclusions? It concerns us for Council conclusions. Is it a defeat for the Presidency if we do not reach conclusions? It is a very tricky internal discussion we have to have on how to deal with this in the Council.

Q532 Chairman: At the moment do you see the basis for a degree of consensus across the Member States?

Ms Rosander: No. Just looking at delivering data, which is on the table now, there is no consensus on that. I think it is going to be difficult to find support from all Member States saying that a new definition of the LFA is important and we should all be committed to delivering the information and the data, so I do not know. We are not clear how we will deal with it.

Q533 Earl of Dundee: On the new implications for Less Favoured Areas, as we learned, all Member States are invited to map these out. Has Sweden already done an exercise like this and, if so, how far do you think your new map will be any different from your existing one?

Ms Rosander: We have concluded the mapping exercise and it shows that almost all LFA areas today will be included, as will new areas when we use these biophysical criteria.

Q534 Earl of Dundee: So you are up to date? You have done the exercise?

Ms Rosander: We have done the exercise and we have the data, but, of course, we now understand that not all Member States have the same data sources as we do.

Chairman: Okay; I think that is it. Thank you very much indeed. Best wishes for your Presidency.