

Lancashire County Council, UK – Response to CAP Health Check

Introduction

Lancashire County Council welcomes the opportunity to respond to the first public consultation on the CAP “Health Check” which will streamline and further modernise the European Union's Common Agricultural Policy. Lancashire’s responses have focussed on the rural development aspect of the response which is, we believe, one of the key aspects of the consultation for rural Lancashire.

About Lancashire

General

Lancashire County Council has an administrative area which covers almost 1.2 million people and a further 8 million people live within 50km of the county in one of Europe's most densely populated areas. It is a large and in many respects a unique geographical area, retaining a strong economic base under-pinned by long urban and industrial traditions. But paradoxically, Lancashire is also a multi-faceted region and is widely renowned for its environmental and quality of life attractions.

With a £21bn per annum economy and as home to more than 41,000 businesses, Lancashire is one of the largest sub-regions in Britain in respect of its contribution to national output. Within the North West alone, Lancashire provides for about a fifth of the region's total economic production of goods and services, its contribution being second only to that of Greater Manchester.

Agriculture

Agriculture represents the largest single land use in Lancashire and farming activities extend from intensive horticulture and general cropping in the coastal plains, dairying in other lowland areas to cattle and sheep rearing in upland regions. With about 225,000ha or 73% of its total land area under farming use, the Lancashire region makes a significant contribution to the UK national food supply. There is a growing interest in good quality, locally produced food products and Lancashire has long-established strengths in this area amongst both producers and retailers that source from local suppliers. The West

Lancashire area has a strong presence in the horticulture sector and a number of farming businesses have successfully diversified in to running profitable farm shops.

Environment

As well as its farming potential, the land is of some considerable importance in terms of its role in safeguarding the environment and rural economy. The attractive landscapes of rural Lancashire appeal to many tourists and visitors.

[Lancashire Rural Futures](#) exists to deliver sustainable economic and environmental benefits to rural Lancashire. It primarily assists rural farming businesses to develop new opportunities; however other rural enterprises and community projects may be also eligible. Within rural areas, there are various sources of grant aid available, and Rural Futures helps clients formulate business opportunities and apply for appropriate sources of financial assistance.

An example of how Lancashire is promoting the environment and bio-diversity is the project where the [Lancashire Rural Recovery Action Plan](#) is helping the Royal Society for Protection of Birds to create one of the largest areas of semi-natural habitat on the UK coastline in the heart of Lancashire. The programme has approved £498,000 of funding for a restoration project creating a 30 sq.km haven on the Ribble Estuary, the UK's most important estuary for birds. As well as being a significant enhancement to the natural environment, it is intended that the area will become an important new visitor attraction.

The [Forest of Bowland Area of Outstanding Natural Beauty](#), and the surrounding countryside, is a popular area for walking, cycling, bird-watching and many other pursuits. The quality of the local environment is attracting more visitors and there is a growing interest in renting good quality accommodation.

Business and Employment Characteristics

In the last 50 years agriculture in Lancashire as elsewhere in the UK has become bigger, more intensive and more specialised. Both the number of farms in Lancashire and the people employed on them have declined steadily for decades. There has been a steady decline in medium to large agricultural business (VAT-Registered Agricultural Businesses) from 1980 to 2006. Despite these decades of steady employment decline agriculture and horticulture still provide significant employment opportunities and in many rural areas, particularly in the more remote upland areas, remains the mainstay of local economic activity.

The local industry has a total workforce (including farmers, managers, employees and casual labour) of some 12,300 people or about 3.4% of the England total. Over recent years the size of the workforce has been variable year-on-year, partly reflecting seasonal

considerations and the use of casual workers though the general pattern has been one of a steady reduction in numbers across all categories (in 1980 the Lancashire agricultural workforce stood at 16,500). Part-time working amongst both own account farmers and employees appear to have grown in importance. The proportion of farmers working part-time now stands at more than 50% and that of employees at over a third.

Generally, the industry remains highly fragmented and most agricultural enterprises are small, family-owned concerns. The sector does, however, also support considerable employment in off-farm supply industries like auction marts, produce packaging, haulage, agricultural machinery manufacture and servicing, agro-chemicals and prepared animal feeds and is the basis of large local dairy processing and meat products sectors. In business terms it is a fairly stable sector with both unusually low rates of new business formation compared with other industries and high business survival, though the long-term trend towards the consolidation of holdings is continuing.

Poor financial returns in a number of agricultural sectors are forcing many farm enterprises to look more carefully at diversification as a means of improving the viability of their core farm businesses. In some cases this can take the form of developing non-agricultural activities such as the provision of accommodation and facilities to encourage tourism, sport, recreation or other outdoor activities. There is still scope in Lancashire for the further development of this kind of activity though it is becoming more competitive and farm businesses most in need of an additional income are often not best placed to raise the high levels of investment capital required. Others are looking more closely at moving up the value chain by entering directly into food processing activities or using innovative marketing and quality assurance schemes to create or to raise brand awareness. Diversification can also be achieved by moving into the production of organic production, both of livestock and crops.

At a practical level, current prevailing low average returns and wage levels, the perceived future instability of the industry, length of hours worked and the general isolation/fragmentation of the industry have all served to severely reduce confidence in the longer-term future of the sector. High land values and rents, the high start-up costs of capital intensive farming and the profit margins needed to repay interest are also major impediments to setting up new farm enterprises, particularly as the total income from farming has fallen to historically low levels and are climbing again only slowly. The local industry is also facing problems of an ageing workforce with proportionately fewer young people and older people working in the sector than in other occupational sectors. The relatively high proportion of older farmers reflects the fact that in many cases the business does not have a successor.

Consultation Questions

3.2. Climate change, bio-energy, water management and biodiversity

Agriculture is highly exposed to climate changes and its after-effects such as water scarcity and extreme weather conditions. Furthermore, halting biodiversity decline remains a major challenge increased by climate change and water demand. Given this interdependence, pressures for more contribution on the field are inevitable. In addition the need for new renewable forms of energy offers new opportunities, in the form of new outlets for agricultural production. Consequently there is a dual need for further adjustments to improve adaptation practices and to find the appropriate instruments in order to be ready to integrate these new challenges.

Do you consider that existing instruments under both pillars of the CAP are sufficient to respond to these challenges?

We believe that strengthening the rural development pillar further is probably the most effective way to tackle these issues.

If you consider that strengthening Rural Development instruments is needed, what would be your proposal in better addressing these new challenges?

A changing climate will present many challenges and opportunities and it will be impossible for one group to address all of these. It is therefore essential that local organisations work in partnership, and with regional, national and international organisations to share information, ideas and best practice and develop strategies and actions. We believe that it is important that the Commission addresses climate change in a joined-up way across directorates and services.

Lancashire has developed a Climate Change Strategy 2008-2013 which focuses intently on activities that are best delivered at a sub regional level. We are supporting micro-generation at the community and individual level, in particular by addressing the need for technical knowledge through the development of the Lancashire Climate Change Local Fund – a new grant-making programme designed to support local action on climate change – adaptation and mitigation. We are establishing local market development programmes for waste resources and commercialising recycled content products. We are undertaking strategic flood risk assessments to inform the preparation of Local Development Documents, having regard to catchment-wide flooding issues that affect Lancashire. We would like to see the CAP supporting and sustaining these positive developments at national level. Lancashire is working with European and regional partners to identify opportunities for agricultural diversification into bio-fuels. The mixed picture regarding climate benefit of biofuels, especially those imported from overseas, has led officers to seek funding from the European Union (100,000 euros) to explore the feasibility of producing locally sourced and sustainable biofuels.

The intention is to research, with the NFU and the agricultural sector, whether the problems associated with biofuels can be overcome locally, and the true potential of biofuels realised in Lancashire. Again, we believe that the rural development pillar should fully support these activities.

The climate change strategy objectives also include making the most of Lancashire's superb environmental assets and the economic, environmental and social benefits that a green infrastructure brings; supporting the development of mechanisms to reduce greenhouse gas emissions through the sustainable management of Lancashire's woodlands; managing Lancashire's upland and lowland peat lands to sequester carbon and prevent its release and identifying what the impacts of climate change on biodiversity and the natural environment will be in Lancashire and supporting the uptake of practical adaptation measures. We believe that the rural development pillar of the CAP should support all of these objectives in a practical and real way.

3.3. Strengthening rural development

In the scope of responding more efficient to the current societal expectations, modulation has been proved a useful policy instrument through which a percentage reduction is applied to farmer direct payments (Pillar1) transferring accordingly the budgetary resources released to rural development measures (Pillar 2). However, in the context of the cut in the expected Rural Development support following the 2005 decision on the Financial Perspectives, the constraints that Member States are facing in the realisation of Pillar II objectives, in the current budgetary period, present an obstacle to this development.

Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges?

We believe that the increase in modulation will help to achieve the objectives and we strongly support increased modulation as being the best way to achieve sustainable rural communities in the future.

How do you think the extra funds should be allocated to better respond to those new challenges?

We still need to respond to the removal of locally available basic services within rural areas. The key problem in the UK is that these services are often statutory and easily accessible therefore ineligible for grant intervention. The response therefore has to come from the community/area affected not the service provider. This will only work where the funding is delivered through a LEADER type methodology and easily accessible to community groups and organisations active at a local level to deliver local - hopefully - innovative solutions. The great difficulty with this approach is that it - usually - does not

deliver a sustainable solution i.e. doesn't become self funding or mainstreamed - funded through statutory service provision. If the funds were to be used bravely they would support the rural premium - which is the additional cost incurred by service providers in delivering services to remote/isolated rural areas/communities. We appreciate that there could be a difficulty in this creating a dependency culture which many critics argue that the CAP has done with farming.

The other linking back to developing and maintaining sustainable communities is the further diversification and development of rural enterprises and businesses which will create the local economic conditions - quality employment, good wage levels etc which will help to support rural services.

Finally, there is real merit in linking all this with supporting the supply of affordable/social rural housing. This completes the virtuous circle for sustainable communities - helps to deliver the workforce locally and creates a critical mass to sustain viable rural services. While this is a matter outside the Commission's competence, it is important that it should be highlighted as a key piece in the puzzle. It is important to have joined up policy across all areas of policy in relation to rural communities and their future.

15 January 2008