PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Seventh Delegated Legislation Committee

COMMON AGRICULTURAL POLICY (MARKET MEASURES, NOTIFICATIONS AND DIRECT PAYMENTS) (MISCELLANEOUS AMENDMENTS) (EU EXIT) REGULATIONS 2019

Monday 28 October 2019

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Friday 1 November 2019

The Committee consisted of the following Members:

Chair: Mr Adrian Bailey

Beckett, Margaret *(Derby South)* (Lab)
† Bradley, Ben *(Mansfield)* (Con)
Brock, Deidre *(Edinburgh North and Leith)* (SNP)
† Crabb, Stephen *(Preseli Pembrokeshire)* (Con)
† Cunningham, Mr Jim *(Coventry South)* (Lab)
† Debbonaire, Thangam *(Bristol West)* (Lab)
† Drew, Dr David *(Stroud)* (Lab/Co-op)
† Eustice, George *(Minister of State, Department for Environment, Food and Rural Affairs)*
Jones, Susan Elan *(Clwyd South)* (Lab)
† Morris, James *(Halesowen and Rowley Regis)* (Con)
† Peacock, Stephanie *(Barnsley East)* (Lab)
† Penrose, John *(Weston-super-Mare)* (Con)
† Rowley, Lee *(North East Derbyshire)* (Con)
Simpson, David *(Upper Bann)* (DUP)
† Stevenson, John *(Carlisle)* (Con)
† Tracey, Craig *(North Warwickshire)* (Con)
† Wragg, Mr William *(Hazel Grove)* (Con)

Dominic Stockbridge, *Committee Clerk*

† attended the Committee

Seventh Delegated Legislation Committee

Monday 28 October 2019

[MR ADRIAN BAILEY *in the Chair*]

Common Agricultural Policy (Market Measures, Notifications and Direct Payments) (Miscellaneous Amendments) (EU Exit) Regulations 2019

7.45 pm

The Minister of State, Department for Environment, Food and Rural Affairs (George Eustice): I beg to move,

That the Committee has considered the Common Agricultural Policy (Market Measures, Notifications and Direct Payments) (Miscellaneous Amendments) (EU Exit) Regulations 2019 (S.I., 2019, No. 1344).

Earlier today, we had a break from regulations on the common organisation of the markets—the CMO—and debated something else. The shadow Minister said in our first debate today that he liked the CMO so much that he had volunteered for the Committee on it; perhaps his Whips were concerned about his welfare and were trying to give him a break. We are now back to his favourite subject.

The statutory instrument amends provisions of retained EU legislation relating to the CMO that fall within devolved competence to ensure their smooth transition to a domestic regime, specifically by making amendments in the areas of the fruit and vegetables aid scheme and of production and price reporting. It also amends a domestic regulation relating to the EU common agricultural policy financial discipline mechanism.

Let me first address the provisions that concern producer organisations in the fruit and vegetable sector. Once they have been recognised as a PO, producers in the fruit and vegetable sector can apply for match funding under the fruit and vegetables aid scheme for certain activities that they carry out, with the aim of increasing their production and making them stronger in the marketplace. The instrument makes operable the core terms and conditions of the aid scheme, including—among other things—the activities that can be funded under the scheme, the amount of funding that can be claimed and the requirements that producer organisations must meet. It ensures that functions relating to the operation of the aid scheme can continue to be exercised by the appropriate authorities in the UK—either the Department for Environment, Food and Rural Affairs or the devolved Administrations.

The instrument also amends provisions on producer organisations in the fruit and vegetable sector in EU regulation 543/2011 to allow a programme established under that regulation to continue for the lifetime of that programme. It further makes amendments to EU regulation 2017/1185 to ensure that DEFRA and the devolved Administrations can continue to obtain certain production and price data from economic operators, as they do currently. The information is used for market management purposes; after exit day, DEFRA and the devolved Administrations intend to maintain its collection and use in the UK. They intend to review the operation of mechanisms for managing the data across the UK after EU exit, and may introduce further agreed amendments to the legislation based on the outcome of that review.

The instrument makes an amendment to an EU exit statutory instrument that the House approved earlier this year in the area of the financial discipline mechanism. It inserts a provision that makes it clear that sums deducted from 2018 direct payments for the purposes of the EU crisis reserve and other pillar 1 spending, but not used, will be paid back to farmers in the usual way following EU exit.

This instrument was laid before the House on 14 October. Like many other EU exit SIs laid close to 31 October, it was tabled under the made affirmative procedure to ensure that it would be in force on exit day. I trust that I have made clear to hon. Members why the amendments that it makes are necessary and appropriate. I commend the regulations to the Committee.

7.49 pm

Dr David Drew (Stroud) (Lab/Co-op): I am delighted to serve under your chairmanship, Mr Bailey, and delighted that yet again we are talking about CMOs—only for the second time tonight. We did have a break in the Committee in between.

I am intrigued why the same explanatory memorandum has been used for these regulations and for those that we considered earlier, the Common Organisation of the Markets in Agricultural Products (Producer Organisations and Wine) (Amendment etc.) (EU Exit) Regulations 2019. Given that the memorandum is the same, I do not understand why we could not have conflated the two statutory instruments. I know that they relate to different market sectors, but unless I am wrong, the present instrument refers to wine as well as other sectors, although it is more all-embracing. I meant to ask that question in our earlier debate, but it slipped my mind.

The point that I really want to raise is about the mechanism for charging. Paragraph 3.3 of the explanatory memorandum states:

"Defra has decided not to issue this instrument free of charge to all known recipients of SI 2019/828 as, given the nature of the correcting provisions in this instrument and the proportion that they represent of the whole instrument, it would be disproportionate to apply the free issue procedure to SI 2019/828."

If it is not being offered free, what is the charging mechanism and who is paying? Presumably we are talking about producer organisations, as in the previous SI, but it would be interesting to know a little more about what the mechanism involves. Will it be fundamentally different if we leave the EU, or will it be a similar funding arrangement?

We are back to our old friend the common organisation of the markets. Will the Minister say more about direct payments, which are in the title of the regulations? What exactly will be, or could be, owed to farmers if and when we leave the EU? Presumably the money will come out of pillar 1, but what will happen to those who are owed money under pillar 2? Will they be subject to a different statutory instrument or a completely different regime? It would be useful to know exactly what the procedures are for compensating those farmers, owners or producers with what they will be owed if we change the status of the arrangements that they are subject to.

Finally, the explanatory memorandum gives the usual list of consultees—we get used to reading the same thing in explanatory memorandums, because they look very similar. The statutory instrument is pretty all-embracing. It applies to the devolved Administrations, does it not?

George Eustice *indicated assent.*

Dr Drew: It would be interesting to know what specific consultations have taken place with Scotland and Wales, or even with Northern Ireland, given that there is no one to consult with, as we know from our debate on the Agriculture, Environment and Rural Affairs (Amendment) (Northern Ireland) (EU Exit) (No. 2) Regulations 2019. That is why those regulations were made: because the UK Government have had to take on the responsibility of the Northern Ireland Assembly and Executive, which are not in existence at the moment.

I have no specific or overall concerns about the regulations, so the Minister will be pleased to hear that we will not vote against them. However, no doubt it would be of public interest to get some clarity on what is being paid to whom, and to ensure that nobody loses out—particularly as the regulations imply that people will be making contributions towards their involvement as producer organisations.

7.54 pm

George Eustice: I hope that I can deal with the shadow Minister's concerns. Paragraph 3.3 of the explanatory memorandum relates to the free issue of hard copies of the instrument. The reason for our approach is that the regulations do not make policy changes; as we have discussed many times, they simply make minor changes to make existing policy operable. We will not be giving out free hard copies of the SI, but obviously it is available to anybody who wants to see it.

Why do we have one explanatory memorandum but two statutory instruments? The regulations that we considered earlier relate exclusively to reserved matters, whereas the present regulations are about devolved matters, so we needed two statutory instruments. However, they both address generally the same topic, so we chose to cover them in a single explanatory memorandum.

The shadow Minister asked how the direct payments process works. As always with the CAP, some of the matters involved are complicated. The financial discipline mechanism, as it is called in EU terminology, applies only to pillar 1. Under that mechanism, each year the European Union top-slices the pillar 1 budget, which normally goes out in the basic payment scheme. It typically takes about 1.5% of the budget and holds it in the crisis reserve; should there be a major market disruption in dairy or something else during the year, that top-sliced crisis reserve will fund interventions in the market such as buying up skimmed milk powder.

Under the SI, the money top-sliced in the last scheme year will be reimbursed to farmers the next year if it is unused. If there is no crisis against which the money needs to be used, it goes back into the pot for the following year. That is how the EU system works; we are simply putting it beyond doubt that if there is unused money in the crisis reserve, we will add it as a top-up to next year's BPS payment, even though we will be outside the European Union.

Finally, the shadow Minister asked whether the devolved Administrations had been involved. I can confirm that they absolutely have. The regulations relate to matters of devolved competence. We have had discussions with the Administrations; although we are legislating UK-wide, it is with their consent.

I hope that I have been able to address the shadow Minister's points. I welcome the fact that he does not intend to press the regulations to a vote.

Dr Drew: I wonder how many more CMO SIs we will have.

Question put and agreed to.

7.58 pm

Committee rose.