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In introducing last year's report I paid tribute to Sir Richard Packer, who left Permanent Secretary in February 2000. His successor, Brian Bender, took over on 1 June. My Ministerial colleagues and I greatly valued Richard Carden's contribution as acting Permanent Secretary in the interim period and we wish him well in his new job at the Department of Trade and Industry.

These top level posts have the highest profile, but the success of the Department rests on the work of the staff at all levels. Whether handling particular crises like the outbreak of foot-and-mouth disease or the floods, providing continuing high quality service to the businesses we deal with, or dealing with any other of the huge range of issues that MAFF has to tackle, I am grateful to them all.

“MAFF is at the forefront of work on the development of e-Government; we have embarked on radical changes to the delivery of services to the rural community to achieve this while improving the level of service to individual businesses.”

The creation of the Food Standards Agency on 1 April 2000 gave a new focus to MAFF's activity, reflected in a new Public Service Agreement for the period 2001-04 and supported by a robust Service Delivery Agreement. These are the basis of a stronger Business Planning process designed to ensure that the resources available to MAFF are put to the best possible use. MAFF is at the forefront of work on the development of e-Government; we have embarked on radical changes to the delivery of services to the rural community to achieve this while improving the level of service to individual businesses. We are developing systems to enable farmers to do business with us on-line, strengthening our presence in the regions and developing a rural internet portal.

Having played a leading role in modernising the CAP at EU level in 1999, we are now delivering the results in the form of the England Rural Development Programme (ERDP), worth £1.6 billion over seven years, and the new, associated, largely regionally based, Rural Development Service. The ERDP is at the heart of the Government's Agriculture Strategy, launched by the Prime Minister on 30 March 2000. This Strategy, while recognising and responding to the short-term difficulties faced by farming, is designed to provide opportunities to promote a farming industry which is:

- Competitive, diverse and flexible
- Responsive to consumers' wishes
- Environmentally responsible
- Fully integrated into the wider rural economy.

The report of the BSE Inquiry was published in October 2000. Its focus was identifying the lessons for Government from the handling of the disease. BSE was a disastrous episode; I am determined to ensure that these lessons have been learned.

As this report goes to press, my Department is taking all necessary measures to tackle the outbreak of foot-and-mouth disease. This is a devastating disease for farming and for rural communities affected.

These are key points. The report describes a year of vigorous and challenging activity on all fronts.

A handwritten signature in black ink, reading "Nick Brown". The signature is written in a cursive style with a long horizontal stroke at the end.

The Rt. Hon Nick Brown
Minister of Agriculture, Fisheries and Food

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**MAFF/IB/FC
Departmental
Report 2001**

THE GOVERNMENT'S EXPENDITURE PLANS
2001-02 to 2003-04 AND MAIN ESTIMATES 2001-02

2001

Departmental Report by the
Ministry of Agriculture, Fisheries and Food,
the Intervention Board
and the Forestry Commission

**Presented to Parliament by the Secretary of State for The
Ministry of Agriculture, Fisheries and Food
and the Chief Secretary to the Treasury by Command of Her
Majesty
March 2001**

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David Hunter
Head of Agriculture Group

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INTRODUCTION

3.1 Agriculture Group is responsible for most agricultural commodity work for MAFF, as well as support to Less Favoured Areas (LFAs). The Group manages (as from 1 April 2001) separate MAFF programmes and consists of 9 divisions: responsibility for arable crops, horticulture, potatoes, Mediterranean crops, and industrial materials, sugar, beef, sheep, livestock schemes, milk, pigs, eggs, plant health, plant variety rights, seeds, and co-ordination of MAFF's interest in genetic modification. In addition, the Horticultural Marketing Inspectorate, the Marketing Inspectorate and the Plant Health Seeds Inspectorate form part of the Group.

3.2 The Group contributes to a wide range of MAFF's objectives; principally objectives 3 and 4, although it is closely linked to objective 6 and contributes to objectives 1 and 5.



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MAJOR EVENTS AND ACHIEVEMENTS

Farm Incomes in the UK

3.3 The farming industry experienced another difficult year. Commodity prices generally depressed and farm incomes fell by about 25% from the 1999 level. The pig market was starting to recover from a prolonged trough, disease problems to its difficulties. BSE concerns in other member states had a knock on effect in the UK. Heavy rains and flooding in the Autumn hit a number of areas and sectors.

3.4 To address these problems, MAFF has:

- Funded circa £60 million over three years for a Pig Industry Restructuring Scheme (PIRS).
- Secured agrimonetary compensation worth £34m for arable producers, £44m for beef and sheep producers, and around £22m for 28,500 milk producers. We also sought approval in March 2001 to pay a further £10m for beef, sheep and dairy producers.
- As part of the Agriculture Strategy, secured the removal of the maximum weight limit on all cattle entering the Over Thirty Months Scheme (OTMS) worth £20m per year.
- Deferred cattle passport charges, worth £4.8m each year to dairy farmers.
- Supported the EU subsidised school milk scheme, with MAFF, DfEE and the Department of Health agreeing to contribute a total of £1.5m per annum to make good a reduction in EU subsidy.
- Abolished dairy hygiene charges in England, worth almost £1m.
- Set up a Milk Task Force to consider prospects for further efficiencies in the sector.
- Secured flexibility in arable area payments rules to help farmers affected by flooding.

Beef

3.5 Continuing effort by Ministers and officials meant that, by November 2000, all EU countries had no ban on UK beef exports. Particular efforts were focused on countries that the UK industry agreed should be our principal targets.

3.6 The constraints of the Date-Based Export Scheme (in particular the requirement of plant dedication and the limitation to exports of boneless beef) have deterred a large bulk of the industry from participating in it. The key difficulties have been raised by the Commission - who are not unsympathetic - but renegotiation of the terms of the DBES has had to be put on hold for the present because of concern over the incidence of BSE in Europe.

3.7 Despite the above difficulties, small quantities of high value beef were exported regularly to a number of countries, up until February 2001, when exports were

banned because of foot-and-mouth disease.

Pigs

3.8 The pig market recovered during 2000-01, with profitability returning to sector for the first time for nearly two years. The sector suffered a setback with an outbreak of classical swine fever in East Anglia in August 2000 (see 4). The resulting welfare difficulties were addressed by the Pig Welfare (Disp Scheme that allowed surplus pigs to be moved off farms to be slaughtered and rendered. The Government met the cost of this operation, plus 80% of a payment made to producers, at a total cost of £14m; industry are to meet the cost of remaining 20%, drawing on a levy fund.

3.9 Meanwhile, the PIRS announced as part of the Agriculture Strategy was by the EU Commission and both parts - Ongoers and Outgoers - were opened applications by end January 2001. (The Outgoers component was re-opened for a short period in the light of the difficult market situation created by the mouth disease outbreak).

Support for Livestock Farming in Less Favoured Areas

3.10 The new EU Rural Development Regulation required aid to hill livestock producers to change from a headage to an area basis. MAFF secured agreement the Hill Farm Allowance (HFA) Scheme, which achieved this, while introducing transitional 'safety net' arrangements to minimise adverse impacts on individual producers.

3.11 As part of the Agriculture Strategy, MAFF is identifying ways to build on scheme to secure a sustainable agriculture industry in the uplands, capable delivering long term benefits to upland society and the environment. During we have:

- Commissioned research with DETR and English Nature to explore new ways of classifying land to improve HFA targeting.
- Provided business advice to hill farmers through the Farm Business Service and the Inside UK Enterprise scheme.
- Set up a Hills Task Force to explore the possibilities for developing hill farm enterprises.

GM Crops and Seeds

3.12 MAFF's work in this area aims to contribute to the Government's overall objectives in the area of GM crop technology on the basis of sound science, of public health and the environment, and consumer choice, and taking account justified concerns. Government policy is co-ordinated and overseen by the M Group on Biotechnology and Genetic Modification. The Minister of Agriculture regulatory responsibility with the Secretary of State for the Environment, Transport and the Regions for releases of agricultural GMOs into the environment, and works closely with DETR and other Government departments, particularly on Government's programme of Farm Scale evaluations of GM crops. Following discovery in April 2000 that conventional oilseed rape containing GM seed had inadvertently been sown in the UK, MAFF co-ordinated discussions with the seed farming and processing industries on dealing with the practical implications. The incident highlighted the need to update the EU regulatory framework to take account of the development of GM varieties and MAFF took a lead in pressing for international action. In October 2000 the European Commission published interim measures a harmonised approach on dealing with the adventitious presence of GM seeds in conventional seed stocks, pending the introduction of legislation, and in January issued a working paper.



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DELIVERY OF OBJECTIVES

3.13 Our work focused on objective 4 which relates closely to objective 6.

3.14 The Group is also responsible for protecting UK interests - those of consumers, producers, traders and processors - during the routine management of the EU regimes, and promoting UK arguments for further adaptation of EU policies in a market-oriented direction.

3.15 A brief summary of the other main developments in the Group's areas is listed below. Full details of Ministry Schemes that these programmes support are found on the MAFF website at: maffweb/farm/farmindx.htm

Beef

3.16 The emergence of BSE cases in continental EU member states depressed the beef market and led to proposals from the Commission for changes to existing CAP schemes. We are looking with other member states to identify measures which will assist the return of confidence to the EU beef market and provide a sound platform for the future.

3.17 Early difficulties in implementing the new beef slaughter premium and extensification premium are now being ironed out and deadlines for final payment should be met. The Cattle Traceability Scheme (CTS) database is not fully operational so the schemes have not yet been redesigned to make use of it. Following a review of the practicability of using the beef national envelope in England to make area payments on permanent grassland used for low-density beef production, the new scheme is now in hand. This could be run in 2002 if approved by the European Commission and the potential beneficiaries.

3.18 Following difficult negotiations in both the Agriculture Council and the European Parliament, satisfactory compulsory rules on beef labelling were agreed, and the Commission implementing rules adopted, in July. Enforcement legislation for the new rules entered into force on 1 January 2001. The final agreement did not contain a requirement to label beef by reference to the category of animal from which it was derived (steer, heifer, bull etc) which the UK trade had strongly opposed.

3.19 MAFF encouraged discussions between the Ministry of Defence and representatives of farmers and slaughterers about buying British beef and lamb for the UK armed forces. These discussions are on-going but to date the industry has been unable to put together a package which competes with the price of third country imports.

Sheep

3.20 MAFF has had useful discussions with the Commission on possible reform of the sheep market.

sheepmeat regime. The Commission's proposals for reform are not expected published until May 2001, but preliminary indications suggest a significant commonality of approach between the Commission and the UK.

Milk and Milk Products

3.21 MAFF secured retention of the school milk subsidy. We set up a Milk Task Force to look at ways in which efficiency improvements can be made in the dairy sector.

Eggs and Poultry

3.22 Discussions have begun on proposals for changes to egg labelling regulations which require the mandatory labelling of eggs with method of production. We are seeking to ensure the requirement for additional information for the consumer whilst ensuring that any additional costs for industry are properly considered.

Arable Crops

3.23 A review has been completed of the UK Regionalisation Plan, which sets out the historic yields and base areas underlying the Arable Area Payments Scheme. It was concluded that the historic yields and base areas used were still appropriate and no changes were made. To enhance the environmental benefits the AAP can deliver, Multiannual Set-aside was introduced to allow farmers to keep the set-aside in set-aside for up to five years and be guaranteed the same payment rate in each year. We also persuaded the Commission to reduce the minimum area for narrow strips of set-aside alongside watercourses, and will continue to press for further flexibility in the width of set-aside strips to increase the environmental value of set-aside.

3.24 We strongly opposed the Commission's proposal for reform of the EU regime on trade grounds, the potential adverse impact on UK consumers and environmental concerns. In the light of the widespread reservations the Commission is recommending its proposal.

Sugar

3.25 The Commission published proposals on reform of the regime in October 2000. MAFF has kept in close touch with sugar interests on the negotiations and other developments, particularly the proposals on duty-free access to the European market for goods from Least Developed Countries. In 2000 quotas were cut by 3% to allow the EU to keep the cost of subsidising the disposal of the EU sugar surplus within limits.

Horticulture, Potatoes and Mediterranean Crops

3.26 The Commission's Report to Council on the EU Fruit and Vegetables Regime by end December 2000, is still awaited. However, certain amendments to the regime have been adopted to address issues seen as urgent. These include more fully implementing the operational programmes of recognised Producer Organisations (POs) from January 2001. The system of financing has also been simplified by introducing a single ceiling of 4.1% of PO marketed production. This has been welcomed by growers, as it will help POs to plan their business and should accelerate progress in bringing about greater market orientation. The Commission is expected to bring forward further proposals to amend the regime when it publishes its report to Council. The UK will continue to press for changes to the regime that reduce the burden on taxpayers and consumers.

Quality of Marketed Plants and Seeds, Eggs and Horticultural Products

3.27 One of MAFF's PSA targets was to ensure that the quality of these products meets statutory obligations. The Egg Marketing Inspectorate carried out 8,600 inspections to the end of February 2001 against a target of 8,700 to end May 2001.

Horticultural Marketing Inspectorate carried out 24,233 inspections to the end of February 2001 against a target of 26,075 to end March and undertook 5 successful prosecutions for infringements of the regulations. The Plant Health and Seeds Inspectorate carried out 82,627 inspections in 2000.

Plant Health

3.28 An independent economic evaluation of MAFF's plant health policy, published in November, made a number of recommendations for further development. It found the current strategy in relation to six case studies examined and found the overall operation of the Plant Health Service to be effective and economically justified.

3.29 A new computer link with Customs and Excise went live in August enabling Plant Health and Seeds Inspectors to select imported consignments for inspection on the basis of advance information provided by importers to Customs. It will minimise delays and simplify procedures. A pilot scheme enabling exporters to apply for phytosanitary certificates needed to accompany exports of plants and plant products to third countries commenced in January 2001.

Table 3.1: Number of outbreaks of key plant pests and diseases in England and Wales, January - December 2000

	92	93	94	95	96	97	98
Rhizomania	13	7	15	11	25	10	10
Tobacco Whitefly	43	36	58	5	3	16	26
South American leaf miner	43	30	54	75	77	53	53
Colorado Beetle	0	0	0	0	0	0	0
Potato brownrot	1	0	0	0	1	1	0

3.30 The table above shows figures relating to the current PSA objective of preventing outbreaks of serious plant diseases and pests. Rhizomania was caused in 23 fields, the lowest number since 1992.

Plant Varieties and Seeds

3.31 MAFF continues to handle large numbers of applications for plant breeders' rights, National Listing and seed certification. In 2000-01, applications for the two maintained recent levels whilst an increase in the use of farm-saved seed continued to decline in the demand for certified seed.

3.32 A major review of all seed marketing regulations and procedures was begun this year. A consultation paper setting out major options for change was issued in February 2001. Work is now in progress to develop new regulations reflecting consultation responses.

3.33 The proposal to add the first GM variety (Chardon LL) to the UK National List triggered a public hearing in front of a person appointed by Ministers. This began in October but was adjourned in November, pending a response from the Commission on the status of the French testing procedures that formed part of the basis upon which the proposal to list was made.

Alternative Crops

3.34 The Energy Crops Scheme was launched in October. In response to the recommendation of the House of Lords Select Committee on Science and Technology, MAFF is setting up a Government-Industry Forum on Non Food Crops to unlock the potential of these crops.



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KEY CHALLENGES 2001-02

3.35 To secure reform of the EU rice and sheepmeat regimes that contains no costs to EU consumers and taxpayers.

3.36 To negotiate arrangements for the implementation of the new sugar regime (to encourage UK industry to prepare for further quota cuts and to pursue opposition by anticipated market pressures) to push for longer-term reform to put sugar on a more sustainable footing.

3.37 To secure changes to Council and Commission Regulations resulting from the Commission Report to the Council on the operation of the EU Regime for Fruit and Vegetables that are consistent with our overall CAP reform objectives.

3.38 To promote the development and adoption of compulsory Community requirements for the labelling of beef in processed products.

3.39 To work closely with the livestock industry to address the economic impact of the outbreak and eradication of foot-and-mouth disease.

3.40 To issue proposals for consultation on a low-density stocking area-based scheme in the beef sector.

3.41 To bring the work of the two Task Forces - Milk and Hills - to a productive conclusion.

3.42 To negotiate and implement changes to the special marketing terms for the welfare of laying hens directive, and arrangements for the mandatory labelling of eggs.

3.43 To review set-aside management conditions, a key objective of which was to reduce its impact on biodiversity.

3.44 To consider and implement the outcome of the economic evaluation of the impact of the EU regimes for hops and bee-keeping aid in England scheduled for May 2001.

3.45 To ensure that any proposals arising out of Commission reports to the Council on the operation of the EU regimes for hops and bee-keeping aid are consistent with the objectives of the CAP reform.

3.46 To promote the Energy Crops Scheme so as to increase uptake and develop the production for energy.

3.47 To develop a sustainable policy on potato brown rot control in the light of the third year of a joint MAFF-industry eradication programme.

3.48 To conclude Better Quality Service reviews of the Horticultural Marketing Board and the Plant Health and Seeds Inspectorate.

3.49 To transpose eventual European legislation, on the adventitious presence of GMOs in food and feed.

conventional seed stocks, into national legislation after appropriate consultation with interested parties.

3.50 To complete the review and introduce new seeds marketing and registration and enforcement regulations by mid 2001.

3.51 To introduce ISO 9000 accreditation to plant varieties and seed certification to ensure that services are reliably delivered to customers' satisfaction.

Table 3.2: Agriculture Group: Expenditure by Programme £'000

Programme Name and Code	Departmental Objective to which programme contributes	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	Plans 2001-02 2002-03
Crops for Energy and Industry - EN:130 a)	2,4,5	1,312	1,416	1,758	3,154
Arable Crops (Policy) - TM:020	3,4	10,132	8,498	23,535	8,967
Sugar - TM:030	3,4	266	307	400	484
Beef (Policy) - TM:050	3,4	2,876	2,480	2,078	2,213
Sheep(Policy) - TM:060	3,4	3,482	3,329	3,789	3,422
Pigmeat (Policy) - TM:070	3,4	1,645	1,877	4,519	21,278
Eggs and Poultry - TM:080	3,4	2,244	2,442	1,818	1,367
Milk and Milk Products (Policy) - TM:090	3,4	3,232	3,229	3,276	2,220
Horticulture, Potatoes and Mediterranean Crops- TM:100	3,4	17,379	16,298	16,721	17,303
Plant Varieties and Seeds - TM:140 b)	4	2,177	3,553	2,559	2,835

Plant Health - TM:190 b)	4	8,730	7,303	7,750	9,997
Co-ordination of Genetic Modification Issues - TM:200 c)	4				
Support for Less Favoured Areas and Overgrazing (Policies) - ES:020 d)	2,5	37,566	27,741	31,713	33,280

a) Name change from Alternative Crops to reflect that Genetic Modification is under a separate programme.

b) Previously in Regional Services responsibilities

c) New programme from 2001-02

d) Name change from HLCA (Policy)

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The programme expenditure totals shown are net of EU receipts.

