

## **Regulatory Appraisal - The Organic Farming Scheme (Wales) (Amendment) Regulations 2004**

### **Purpose and intended effect**

These Regulations amend the Organic Farming Scheme (Wales) Regulations 2001 to enable the introduction of stewardship (maintenance) aid for organic farmers.

### **Risk assessment**

As the effect of this Instrument is to amend the Organic Farming Scheme (Wales) Regulations 2001 to allow the payment of organic maintenance payments, if no legislation is made the new payments cannot not be introduced.

### **Options**

The alternative to introducing the proposed amending regulations is not to introduce organic maintenance payments. This would mean reversing an announced policy development and failure to implement an initiative approved by the European Commission. It would also mean that Welsh organic farmers are disadvantaged over their English counterparts.

### **Benefits**

The Organic Farming Scheme was set up in late 1999 to encourage farmers who wanted to convert land into organic production.

It is now widely accepted that considerable benefits can accrue from organic farming systems. Among these are greater bio-diversity, sustainability of production, reduced usage of polluting chemicals, higher levels of animal welfare and socio-economic benefits due to increases in the level of labour often required.

It is in recognition of these benefits that the Welsh Assembly Government is amending the Organic Farming Scheme to include maintenance payments.

### **Costs**

The Organic Farming Scheme's baseline is currently set at £3.01million for each of the next three financial years. Without introducing organic stewardship payments, and based on the current level of farms entering conversion which has fallen markedly over the last few years, expenditure is not likely to exceed £2million in any of the following years. This is demonstrated in table 1.

Introducing stewardship payments will almost certainly give the organic sector a boost and, based on past experience, we forecast that the amount of land

entering conversion may increase to up to 10,000 ha per year (this equates to a maximum of 200 farms per year).

In addition, some 53,000ha are already in the Organic Farming Scheme and there are a further 5,000ha of organically farmed land outside of the scheme that would be immediately eligible for stewardship payments. Table 1 shows that, in total, this would cost £3.54million in 2004/05 and £3.83 million in 2005/06. This is slightly higher than the budget provision, however, the difference would be made up by receipts from modulation. We are therefore confident that changes to the scheme can be accommodated within the existing budget.

If demand is significantly greater than our forecast, the scheme's legislation allows it to be closed to new applications.

Financial Planning and Economic Advice Division have been consulted about this analysis and are content.

### **Competitive Assessment**

There will be no negative competitive impact arising from the proposed amendments.

### **Consultation**

Although we have not carried out a formal consultation exercise, the proposals in this instrument have been drawn up with extensive advice from two industry-wide working group; the Organic Strategy Group and the Organic Centre Wales Steering Group. Membership of these groups includes the farming unions, the Soil Association, the Organic Centre for Wales, the Welsh Assembly Government, the WDA and other interested organisations.

The amendments have the unanimous support of both groups.

### **Review**

We will be undertaking a full ecological and economic review of the impacts of the Organic Farming Scheme within the next 2 years. This will be carried out by independent monitors.

### **Summary**

The proposed amendments allow the introduction of an important new initiative that will give organic farming in Wales a significant boost. All costs associated with the new maintenance payments will be met from within existing budget provisions.