

European And External Affairs Committee

EUR(3)-07-08 : (Paper 1) : 25 September 2008

The European Commission's Legislative Proposals on The Common Agricultural Policy Health Check

Submission By The Countryside Council For Wales

Summary

- (i). CCW supports the proposal whereby historic SPS models can be adjusted over time. Within Wales an area-based approach could provide a transition between the current historic system and our favoured model in which all subsidy payments are proportional to the level of public benefit produced.
- (ii). CCW supports the principle of removing from cross compliance those matters not within farmers' control, but has reservations about the removal of some parts of both the Birds and the Habitats Directives.
- (iii). CCW supports the proposed additions to Good Agricultural and Environmental Condition, in particular buffer strips along watercourses and field margins.
- (iv). In principle, National Envelopes could be used to provide more systematic and comprehensive support for the use of extensive cattle grazing. However, CCW is not convinced that the time is yet right for introducing such a mechanism into Wales.
- (v). CCW supports increased use of the modulation mechanism, since the funds transferred into Pillar II of the CAP via this approach can be better targeted at specific policy objectives.

Our support for an increase in compulsory modulation is conditional on the retention of all new receipts within the country from which they originate. In addition, the proposed trade off between increased compulsory modulation and corresponding reductions in voluntary modulation must be applied in such way as to ensure no net loss of financial resources within Wales.

(vi). In the longer term, CCW wishes to see a fundamental re-orientation of the CAP budget that focuses to a much greater extent on the direct and proportionate purchase of public benefits.

(vii). CCW particularly welcomes the prominence the European Commission has given to the challenges posed by climate change, biodiversity decline and water management. There are considerable synergies between these, for instance measures designed to reduce carbon dioxide emissions from upland organic soils can also improve water quality and enhance biodiversity.

1. Introduction

1.1. The Countryside Council for Wales champions the environment and landscapes of Wales and its coastal waters as sources of natural and cultural riches, as a foundation for economic and social activity, and as a place for leisure and learning opportunities. We aim to make the environment a valued part of everyone's life in Wales.

1.2. CCW is also a member of the Land Use Policy Group (LUPG), an informal combination of UK environment and conservation agencies with a particular interest in researching and discussing land use issues at the European level. Where relevant, we refer to LUPG research work in our evidence. More details on LUPG are available at www.lupg.org.uk

1.3. The Commission has made clear that the Health Check is not intended to deliver fundamental reform. It will nevertheless contribute to establishing an overall direction for the future of the Common Agricultural Policy (CAP) in the context of the EU Budget Review and the start of the next financial perspective in 2013.

1.4. CCW's long term vision involves a fundamental shift in emphasis, ensuring that the CAP is transformed into a policy capable of supporting the delivery of a wide range of public benefits such as clean air and water, healthy soils, biodiversity, cultural landscapes and public access. Central to this vision is the management of a range of ecosystem services, including carbon sequestration, flood storage and nutrient cycling, all of which are vital for the maintenance of life itself.

1.5. The Commission's Health Check proposals cover three broad themes: improving the Single Payment Scheme (SPS); improving market orientation and dealing with the new challenges of climate change, water management, biodiversity and bio-energy. CCW's evidence focuses on improvements to the SPS (in particular cross compliance and national envelopes) and how best to deal with the new challenges.

2. The Single Payment Scheme (SPS)

2.1. CCW supports the proposal whereby historic SPS models can be adjusted to deliver flatter rates per entitlement. Payments based on past agricultural practice will become increasingly difficult to justify as pressure on the EU budget increases and public scrutiny of CAP expenditure continues to grow.

2.2. CCW believes that it is in the long-term interests of both Welsh agriculture and the environment to move towards a system in

which all subsidy payments are proportional to the level of public benefit produced.

2.3. Some form of transitional model is needed to bridge the gap between the current system and our preferred approach. The introduction of an area-based system would require substantial administrative resources. Such investment could be negated if more fundamental changes to the SPS were introduced at the end of this financial perspective. Retaining the current historic model until 2013 therefore makes sense provided the resources saved are used to improve the delivery of both cross compliance and the rural development measures.

3. Cross compliance

Our comments on the Commission's proposals are as follows:

Deletion of articles under the Wild Birds and Habitats Directives (SMR 1 & 5)

3.1. CCW supports the principle of removing from the Statutory Management Requirements those articles relating to matters not within farmers' control. However, we feel that Article 7 and Article 8 of the Birds Directive (regulation of hunting and indiscriminate means of killing) should be retained on the grounds they reinforce existing legal requirements applicable to farmers, in particular with respect to non-target species such as birds of prey.

3.2. Articles 15 and 22(b) of the Habitats Directive (indiscriminate means of killing and introduction of non-native species) should also be retained within the SMR. Both issues are within the control of farmers.

Changes to Good Agricultural and Environmental Condition (GAEC)

3.3. CCW supports the proposed addition of buffer strips along watercourses. Implementation would enhance the Welsh Assembly Governments' capacity to comply with Article 41C of the Water Framework Directive (WFD) which requires standards and objectives for all water dependent Natura 2000 sites to be achieved by 2015. Some 95% of Welsh Natura 2000 sites are affected by water quality to some degree. In addition, the Environment Strategy for Wales sets a target for 95% of Natura 2000 sites to be under management capable of achieving favourable or recovering condition by 2010.

3.4. Further consideration should be given to the location and the minimum width of buffer strips necessary to provide meaningful protection to watercourses. For instance, in the case of pasture being returned to arable, the greatest risks will arise on vulnerable soils on sloping land. Rather than introducing a minimum standard for all watercourses in Wales, it would be more effective to introduce a more demanding standard (such as 6 metres) where the risks are greatest.

3.5. CCW also supports the proposed clarification regarding the nature of landscape features. The retention of hedges, ponds, trees, ditches and field margins will contribute to the implementation of Article 10 of the Habitats Directive through the conservation of features "which by virtue of their linear and continuous structure.... or their function as stepping stones are essential for the migration, dispersal and genetic exchange of wild species".

3.6. The UK Biodiversity Action Plan sets quantitative targets for the maintenance, restoration and expansion of both arable field margins and hedgerows. The Welsh target for arable field margins involves expansion of 5810ha by 2015 whilst the hedgerow target is to achieve favourable conservation status on 44,355 km (50% of the current stock) by the same date. Ongoing research suggests, however, that a substantial proportion of Welsh hedgerows may be exhibiting evidence of eutrophication.

3.7. The Tir Cynnal and Tir Gofal agri-environment schemes already include provision for one-metre wide buffer strips adjacent to traditional field boundaries, rock outcrops and watercourses. The annual payment for avoiding the application of fertilisers, pesticides and lime on such strips absorbs a substantial element of the Welsh agri-environment scheme budget (c. £750,000 per annum in the case of Tir Gofal) but involves only limited obligations at the level of the individual farm.

3.8. Traditional field boundary obligations under both Tir Gofal and Tir Cynnal could be transferred into cross compliance whilst waterside buffer strips could also become a requirement of cross compliance in high-risk situations. This would allow for agri-environment budgets to be refocused on those capital works and more demanding annual prescriptions designed to deliver significant improvements in biodiversity, water management and climate change.

3.9. Finally, whilst arable land occupies only a limited proportion of Wales at present, CCW believes it would be appropriate to apply an additional new GAEC field margin standard to those farms with substantial areas of land under crops.

3.10. Set aside occupies a small area in Wales, but in England the dismantling of this policy in the absence of compensatory environmental measures is likely to have a severe impact on mobile species such as farmland birds^[1]. The population of wild birds is a Sustainable Development Indicator for Wales, but many species typical of farmed habitats have declined in abundance as well as exhibiting contractions in their range^[2]. Section 42 of the Natural Environment and Communities Act places a responsibility on the National Assembly for Wales to "take such steps as are reasonably practicable to further the conservation" of a number of species including farmland birds such as tree sparrow and yellowhammer.

Other Related Issues

3.11. Within Wales it would be helpful to clarify within GAEC the status of those species listed under section 42 of the Natural Environment and Rural Communities Act.

4. National Envelopes

4.1. CCW believes that this mechanism could be used to provide more systematic and comprehensive support for the use of extensive cattle grazing. Such management is critical to the management of traditional hay meadows and wet grasslands and plays an important role in achieving environmental improvement on purple moor-grass dominated pastures. Agri-environment payments are neither sufficiently substantial nor widely enough available to encourage the management required. Indeed, the Tir Gofal payment review of 2004 involved reductions in the support available for using cattle to achieve targeted environmental outcomes.

4.2. Support for the use of mixed grazing (cattle and sheep) remains available under Tir Mynydd and has just been introduced into Tir Cynnal. Such moves are welcome, but it remains unclear whether these kinds of broad-brush incentives will be sufficient to ensure cattle are being used to graze semi-natural habitats as well as improved land.

4.3. National Envelopes could play a significant role in targeting CAP Pillar 1 payments on the production of specified public benefits^[3]. However, CCW is not yet convinced that the time is right for introducing such a mechanism into Wales. Our reasons are as follows.

Insufficient information is currently available about the nature of the support mechanisms needed to underpin the types of extensive cattle grazing that deliver environmental benefits. More work is needed on the fixed costs associated with using cattle to manage extensive landscapes as well as how best to overcome barriers to the processing and marketing of such livestock.

Work on identifying the geographical extent of the High Nature Value (HNV) farming systems on which support might be targeted is still at a very early stage.

The future structure of both Tir Mynydd and agri-environment schemes will be critical to the design of any future National Envelope, but the Axis 2 review of land management schemes is still ongoing.

4.4. CCW remains concerned that the National Envelope mechanism may be used elsewhere within Europe to support risk management measures such as state funded crop insurance schemes. This raises the prospect of re-establishing a system of compensatory payments - with the CAP underpinning unnecessary risk taking, for instance by compensating for crop failure in situations where particular crops should never have been planted in the first place.

4.5. There is, however, a strong case for using the CAP to reduce risks to society as a whole. For instance, land management measures relating to the restoration of upland peatlands and natural flood plains can help to reduce the risk of flooding in urban areas, whilst at the same time also providing other benefits in terms of enhanced biodiversity and reductions in greenhouse gas emissions.

5. Compulsory Modulation

5.1. CCW supports increased use of the modulation mechanism, since the funds transferred into Pillar II of the CAP via this approach can be better targeted at specific policy objectives such as improving environmental quality, diversifying the rural economy and increasing agricultural competitiveness. In the longer term, however, we wish to see a fundamental re-orientation of the CAP budget that focuses to a much greater extent on the direct and proportionate purchase of public benefits.

5.2. The Commission's proposals on compulsory modulation should ensure a significant increase in rural development resources at European level, albeit there may be only limited impact within Wales. CCW's support for increases in the compulsory modulation rate is conditional on other aspects of the Commission's proposals, in particular the retention of all new compulsory modulation receipts within the country from which they originate. In addition, the proposed trade off between increased compulsory modulation and corresponding reductions in voluntary modulation must be applied in such way as to ensure no net loss of financial resources within Wales.

5.3. In the event that the above conditions are applied, the Commission proposals should lead to a small increase in Welsh modulation receipts in 2012. (At this point the proposed new EU compulsory modulation rate of 13% would exceed the planned Welsh modulation rate of 11.5%).

5.4. Prior to 2012, the arithmetic is more complex. The substitution of compulsory modulation for voluntary modulation will reduce receipts (due to the application of the franchise mechanism whereby modulation is not applied to the first 5000 euros of each SPS payment). This reduction in receipts should be partly offset by increases in Welsh Assembly Government match funding and the application of higher rates of progressive modulation to those farms in receipt of more than 100,000 euro per annum.

5.5. Progressive modulation will affect around 290 farms in Wales. This represents less than 1.7% of the total number of SPS claimants.

5.6. It appears, however, that the main impact arising from the gradual replacement of voluntary modulation with compulsory modulation will be the need to increase co-financing from the current rate of 45% to 100%. Our own estimates suggest that provided all compulsory modulation receipts are matched £ for £ by the Welsh Assembly Government; progressive modulation is applied to larger farms and there is no reduction in the rate of co-financing currently applied to the remaining voluntary modulation, the Commission's proposals should result in a limited change in the level of support for Welsh farming from 2009-2011 with a small net increase resulting from 2012 onwards.

6. New Challenges and the role of Rural Development

6.1. CCW particularly welcomes the prominence the Commission has given to the challenges posed by climate change, biodiversity decline and water management. The proposed increases in compulsory modulation are designed to ensure that Member States can focus on new challenges without reducing rural development activity in other areas.

Climate Change

6.2. A twin track approach is required. Mitigation measures are needed to reduce emissions of greenhouse gases (GHG) from both livestock and soils whilst the adaptive capacity of Welsh agriculture could be improved through training and the better provision of information.

6.3. Agriculture currently contributes 11% of total Welsh Greenhouse Gas (GHG) emissions, primarily in the form of methane and nitrous oxide (NO_x)^[5]. Agricultural emissions themselves fell by 10% between 1990 and 2005 largely due to reductions in livestock numbers and decreases in the rate of fertiliser application.

6.4. Further improvements in methane and NO_x emissions could be achieved through a variety of methods including changes in livestock diets and genetics, changes in fertiliser application methods and better management of both soils and manures.

6.5. Losses of carbon dioxide on conversion of pasture to cropland (1 Million tonnes pa) contribute 2% of total Welsh GHG emissions. This figure is currently outweighed by carbon capture from forestry (1.5Mt pa). By contrast, the drying out and oxidation of previously drained organic soils could release vastly more carbon dioxide. Welsh organic soils contain 196Mt of carbon - a figure that exceeds the entire amount of carbon held in the surface vegetation of the UK^[4].

6.6. Land management measures under the WRDP could be used to reduce the risk that the rate of carbon loss from soil will accelerate. In addition, energy saving measures and other techniques designed to reduce the environmental footprint of agriculture could be promoted through Farming Connect.

6.7. Improvements in "green infrastructure" will also be necessary, involving the creation of new wetlands, measures to slow down the pace of rainwater run-off from the uplands and managed coastal re-alignment. Such measures will all be needed as part of dealing with the more frequent occurrence of extreme weather conditions including both floods and droughts.

6.8. Research and development, demonstration projects, training and the use of financial incentives are all necessary to underpin both mitigation and adaptation measures.

Biodiversity

6.9. Relevant objectives have been established under the Environment Strategy for Wales and the Biodiversity Action Plan process. The former sets a target of 95% of international sites under favourable management by 2015 with 95% of SSSI's under such management by 2010 and all sites by 2036. Mechanisms such as agri-environment schemes are of vital importance in attaining this target. For instance, at least 24% of the agricultural land within SSSI's is now covered by Tir Gofal agreements^[6]. Further progress towards the ESW targets will require a progressive increase in agri-environment scheme budgets.

6.10. There are 183,500 ha of common land within Wales (8% of the total land area). Some 36% of this has been designated as Sites of Special Scientific Interest (SSSI). It will be particularly difficult to bring such sites into favourable management by 2015 as the majority of right holders will need to consent to entry into any form of land management agreement.

6.11. The UK Biodiversity Action Plan sets quantitative targets for the maintenance, restoration and expansion of 65 broad habitat types and 1149 species. All of the habitat action plans and many of the species action plans apply to Wales.

Water

6.12. Under Article 41C it will be necessary to achieve standards and objectives for all water dependent Natura 2000 (N2K) sites by 2015. Some 95% of Welsh N2K sites are water dependent to some degree, but the most recently available survey work shows that 58% of the features on such sites were in unfavourable condition^[7].

6.13. Improving the management of water resources is closely linked to the challenge of climate change. In particular, WRDP funded land management schemes have the potential to reduce flood risks - both by reducing the speed at which water drains from the upland and by providing increased floodwater storage capacity in the lowlands.

Bio-energy

6.14. CCW does not believe that incentives are necessary to support the growing of bio-energy crops. Market forces and demand-led initiatives seem to be more appropriate ways of ensuring supply. However, Axis 1 of the RDP could be used to facilitate energy production from farm manures and food wastes.

Cyngor Cefn Gwlad Cymru

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September 2008

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