

Common Agricultural Policy Task and Finish Group

Meeting Venue:
Committee Room 1 – Senedd

Meeting date:
17 November 2011

Meeting time:
13:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Naomi Stocks
Committee Clerk
029 2089 8164

Agenda

1. Introductions, apologies and substitutions

2. Inquiry into proposed reforms to the Common Agricultural Policy: Evidence from the Environment Agency Wales and Countryside Council for Wales (13:00–13:45) (Pages 1 – 26)

CAP(4)–03–11 Paper 1: Environment Agency Wales

Simon Neale, Strategy and Policy Manager – Land Quality
Richard Davies, Strategic Unit Wales Advisor – Land Quality

CAP(4)–03–11 Paper 2: Countryside Council for Wales

Brian Pawson, Senior Agricultural Advisor
Dr Ieuan Joyce, Council Member

3. Inquiry into proposed reforms to the Common Agricultural Policy: Evidence from the National Trust and RSPB (13:45–14:30) (Pages 27 – 35)

CAP(4)–03–11 Paper 3: National Trust (paper to follow)

Trystan Edwards, Wales Farm and Countryside Adviser

CAP(4)–03–11 Paper 4: RSPB

Arfon Williams, Countryside Manager

4. Inquiry into proposed reforms to the Common Agricultural Policy:

Evidence from Farming and Advisory Wildlife Group (FWAG) and the Soil Association (14:30–15:15) (Pages 36 – 46)

CAP(4)–03–11 Paper 5: Farming and Advisory Wildlife Group (FWAG)
Glenda Thomas, Director FWAG Cymru

CAP(4)–03–11 Paper 6: Soil Association
Emma Hockridge, Head of Policy

CAP(4)-03-11 Paper 1



NATIONAL ASSEMBLY FOR WALES ENVIRONMENT AND SUSTAINABILITY COMMITTEE: COMMON AGRICULTURAL POLICY TASK AND FINISH GROUP INQUIRY INTO THE REFORM OF THE COMMON AGRICULTURAL POLICY.

SUBMISSION BY ENVIRONMENT AGENCY WALES

SUMMARY

- The Environment Agency is the principal environmental regulator in England and Wales, with responsibilities for the protection of soil, air and water. We also have important duties to maintain, improve and safeguard water-related biodiversity and fisheries in Wales.
- Welsh farming provides significant social, economic and environmental goods and services and is largely responsible for creating and maintaining landscapes that benefit a range of ecosystem services including the Welsh tourist industry
- We work to improve the environmental performance of agriculture through an integrated policy approach, including advice, voluntary initiatives, codes of practice and regulation.
- The European Water Framework Directive (WFD) sets new and tougher standards for rivers and other water bodies. We need to ensure that Wales is on track to meet these requirements and further improve the quality of groundwater, rivers, lakes and coastal waters.
- Under these tougher standards 67% of water bodies in Wales are failing to reach EU WFD 'good' ecological status. In Wales, farming contributes 60% of nitrates, 25% of phosphorus and 70% of sediments to the nation's waters. Reducing these figures would make a significant contribution to meeting our European requirements.
- Support for the delivery of WFD outcomes could be identified as a key CAP Reform priority. The CAP Pillar 1 "greening component" should complement the environmental benefits delivered through CAP Pillar 2 measures and the CAP cross compliance regime.
- CAP Reform should seek to include measures that support delivery of WFD including measures that:
 - tackle soil poaching and riverbank erosion by livestock.
 - deliver improvements in farmyard management and infrastructure such as improved slurry stores and dirty water separation
 - require nutrient management planning as standard.
- The removal of the Rural Development axes under CAP Pillar 2 will help the Pillar deliver environmental improvements in a more integrated manner.
- The perceived movement to an area based Single Payment Scheme (SPS) in Wales will result in a re-distribution of payments amongst the Welsh farming industry which might have negative consequences for the environment.
- We are particularly concerned for the future of the dairy sector that is already struggling with low margins and confidence to invest in improved slurry and manure infrastructure which are at present a major contributor to poor water quality

1.0 Introduction

- 1.1 The Environment Agency is the principal environmental regulator in England and Wales, with responsibilities for the protection of soil, air and water. It also has important duties to maintain, improve and safeguard water-related biodiversity and fisheries in Wales. We work to improve the environmental performance of agriculture through an integrated policy approach, including advice, voluntary initiatives, codes of practice and regulation. We welcome the opportunity to give written evidence to the National Assembly for Wales' Environment and Sustainability Committee inquiry into the Reform of the Common Agricultural Policy (CAP).

- 1.2 Farming provides significant social, economic and environmental goods and services and is largely responsible for creating and maintaining landscapes that benefit a range of ecosystem services including the Welsh tourist industry. However, farming can also have environmental impacts. These impacts can be significantly reduced by relatively simple, often low cost, solutions which can also provide cost savings for farmers¹. The Environment Agency is working with land managers and the wider food industry to improve the environmental performance and often the competitiveness of Welsh agriculture.
- 1.3 The accumulation of a range of problems from well over 30,000 holdings adds up to a significant environmental impact. Tackling these issues requires a spectrum of solutions, from advice and working in partnership to regulation and the purchasing of public goods. We seek to influence all of these issues to improve environmental outcomes. We believe that tackling the source of the issue, such as ensuring that manure and slurry management is carried out in line with best practice, can be more successful than “end of pipe” type solutions.
- 1.4 Water pollution ranks as one of the principal environmental concerns amongst the public in the UK and across the EU, second only after climate change in the last Special Eurobarometer on Environment in March 2008. In 2010, assessment of EU MS draft River Basin Management Plans (dRBMP)² concluded that the agricultural sector places significant quality and quantity pressures on both surface waters and ground waters. Results showed that diffuse or point source nitrogen pollution was reported in 91% of the dRBMPs, phosphorus pollution in 90% of the cases and pesticide pollution in 69% of the dRBMPs.

2.0 Common Agricultural Policy Reform (CAP) – EA Wales position.

- 2.1 The Environment Agency is a member of the Land Use Policy Group (LUPG), which represents UK statutory environmental and conservation agencies. The LUPG CAP Reform vision advocates a movement away from production subsidy towards the direct purchase of environmental services from land managers. The suggestion would be for CAP to focus on achieving food and environmental security through support for the provision of environmental services³.
- 2.2 The current CAP accounts for 40% (equivalent to €60billion) of the EU budget. CAP is of significant importance to Wales as it receives approx €330 million under the CAP Pillar 1⁴ annually and has received €376.7 million under CAP Pillar 2 for the Welsh Rural Development Plan⁵ 2007 – 2013. Evidence from the annual Farm Business Survey (FBS⁶) shows that holdings in Wales remain heavily dependent upon subsidy payments to support the farming business.
- 2.3 Under a reformed CAP, we would welcome agriculture being viewed in the wider context of delivering a range of ecosystem services that help tackle environmental, social and biodiversity concerns. EAW has long advocated this viewpoint as highlighted in oral and written evidence submitted to previous NAW CAP Reform inquiries as well as related inquiries notably Land

¹ Withers P, Royle S, Tucker M, Watson R, Scott P, Silcock P, Smith G & Dwyer J (2003) Field development of grant aid proposals for the control of diffuse agricultural pollution. Produced on behalf of the Environment Agency & English Nature. An Environment Agency R&D Technical Report P2-261/09/TR.

² Ecologic, 2010. Assessment of agriculture measures included in the draft River Basin Management Plans <http://ec.europa.eu/environment/water/quantity/pdf/summary050510.pdf>

³ Environmental services arise from the management of ecosystems goods and services (or EGS - see Box 1) by farmers, foresters and others.

Certain aspects of EGS can arise independently of human intervention. Environmental services describe those elements of EGS which are delivered by land managers acting over and above the requirements of regulation and where no market exists to reward the public benefits that have been provided.

⁴ Figure based on the exchange of the Welsh Government’s estimation of total amount of Single Payment received in Wales annually (approximately £292 million) at euro exchange rate of €1.14 to £1 on 11 February 2010.

⁵ European Commission Press Release, Rural Development Plan for Wales, 20 February 2008 [Accessed 11 February 2010]

⁶ The Farm Business Survey is a survey of 550 farming businesses from the main farm types in Wales. Only those farms with a Standard Labour Requirement (SLR) of more than 0.5 are included in the sample, the survey is therefore considered to be representative of commercial farming businesses.

Management Actions under Axis 2 of the WRDP, Rural Land Use Management and Carbon Reduction, the Future of the Welsh Uplands.

2.4 In Wales, farming is not the sole cause of water pollution but does contribute 60% of nitrates, 25% of phosphorus and 70% of sediments to the nation's waters amongst other pollutants⁷. With approximately 67% of water bodies in Wales failing to meet EU WFD good ecological status we believe a focus on WFD should be a key priority for CAP. Environment Agency research on Reasons For Failure under WFD indicates that agricultural land use is a principal contributor to failing status for many water bodies in Wales. We suggest that by explicitly incorporating WFD objectives, CAP Reform will more efficiently help achieve good chemical and ecological status and prevent deterioration in all water bodies (including Protected Areas), promote the sustainable use of water and help reduce the negative impacts of floods and droughts. Given that the WFD status of a water body is determined principally by physical and biological processes acting at the landscape scale, environmentally sensitive land use will contribute to all of these related goals. Pillar 2 land management schemes and the Welsh Rural Development Plan (WRDP) could fund activities that:

- minimize the impacts of fertilizer and farm waste on water courses and groundwater;
- restore natural 'flow paths' to slow the passage of water and maximise the filtration function of natural vegetation;
- provide storage for water
- restore connectivity between channels and flood plains to provide areas for water storage and filtration, and reduce flood risk to population centres;
- restore coastal wetlands to reduce flood risk associated with high tides;
- protect and restore riparian zone vegetation to filter surface water, enhance aquatic habitat and mitigate the impacts of climate change through shading

2.5 We also believe that CAP has an important role in climate change mitigation and the delivery of multiple benefits. Both CAP Pillars could support measures which help mitigate the impacts of climate change, for example:

- Protecting water and soils with winter cover, buffer strips and in-field grass areas;
- Protecting carbon stored in soils and vegetation;
- Managing land to reduce surface run-off
- Increasing tree cover to capture carbon, provide shade and shelter for livestock, and habitat for wildlife.

3.0 RESPONSES TO CONSULTATION QUESTIONS

Our responses to specific questions / points in the consultation are as follows;

Q1. What could the European Commission's (EC) proposals mean for Wales?

3.1 We note that the EC proposes a new partnership between Member States (MS) and its farmers to meet the challenges of food security, sustainable use of natural resources and growth. We welcome this proposal as Welsh Government (WG) will be able to consider how best to deploy EU funding under the RDP, Structural Funds and the European Fisheries Fund to deliver the aspirations of the European 2020 strategy.

3.2 Under Article 93 of the CAP Horizontal Regulation it states that;

"Directive 2000/60/EC of 23 October 2000 establishing a framework for Community action in the field of water policy will be considered as being part of Annex II once this Directive is implemented by all Member States and the obligations directly applicable to farmers have been identified.

⁷ Welsh Government (2011) Consultation on the compulsory Good Agricultural Environmental Condition (GAEC) standard to introduce buffer zones alongside water courses to tackle water pollution from agriculture

We welcome the EC's desire to include WFD within the remit of cross compliance in Jan 2013 (article 11.7 of the WFD) and the acknowledgement of WFD as a key legislative driver for protecting and enhancing the environment. As the Directive sets challenging objectives for the water environment based on protecting ecological health, it is of critical importance that future land management practices embrace these objectives and assist the industry in meeting environmental challenges.

Cross compliance changes.

3.3 We have worked closely with WG in its endeavours to streamline and reduce the administrative burden placed upon the farming industry. Whilst we welcome the CAP Reform proposals to streamline the cross compliance regime we believe the remaining cross compliance requirements could be modified and strengthened to ensure that WFD is a key feature of cross compliance notably:

- Providing adequate slurry and silage storage facilities to prevent pollution incidents;
- Keeping soil, the most important farming asset, in fields and out of watercourses;
- Tackling soil poaching and riverbank erosion– managing livestock access to water through the adoption of ecologically functional buffer strips. Fencing off of watercourses can provide significant water quality improvements.

3.4 Whilst there is a desire within the CAP Reform proposals to protect wetland and carbon rich soils including a ban on ploughing, we also believe there is merit in extending Good Agricultural and Environmental Condition (GAEC) measures to include compliance with key elements of the Water Resources (Control Pollution) Silage Slurry and Agricultural Fuel Oil (Wales) Regulations, also known as the "SSAFO" regulations. We believe that inclusion of these key elements will strengthen the protection of water courses from significant sources of farm based nutrient rich organic pollution. The key elements of the regulations that could be included within a revised cross compliance regime are:

- all storage facilities are hydrologically isolated and located at least 10 meters from a water courses,
- slurry storage facilities must effectively contain all of the slurry produced on the farm and are not leaking or in danger of overflowing,
- all silage storage facilities must have an effluent collection and containment system that is not allowed to overflow.

3.5 These measures are required in order to ensure that high nutrient material is kept out of water courses. Recent WFD investigations have shown that there is poor compliance with key elements of the SSAFO regulations in tandem with severe incidences of livestock poaching. We would be concerned if inspection and monitoring in Wales were further weakened as this would seriously inhibit WG's ability to meet national and international biodiversity targets

CAP "Greening" component.

3.6 We note the EC's proposals to introduce a CAP Pillar 1 "greening component". The 3 measures foreseen are:

- maintaining permanent pasture (Article 31);
- crop diversification – where the area of arable land exceeds 3 ha, at least three different crops must be grown, with a minimum of 5% and maximum of 70% of eligible area in the case of each crop (Article 30); and
- maintaining an "ecological focus area" of at least 7% of farmland (excluding permanent grassland) – i.e. field margins, hedges, trees, fallow land, landscape features, biotopes, buffer strips, afforested area (Article 32).

3.7 We believe it important to ensure that the distinction between the CAP Pillar 1 'greening' component and cross compliance, including GAEC, is recognised and that implementation of the "greening" component is carefully considered.

- 3.8 EAW acknowledges that livestock need access to drinking water, but unchecked access to rivers can lead to poaching and erosion of riverbanks and the bed of the water course. Simple and well established methods to control stock access to water courses can provide significant water quality and physical habitat improvements. Parallels could be made with the General Binding Rules (GBRs) concept in Scotland and their Diffuse Pollution GBR 19: Keeping livestock⁸ leaflet. Under a streamlined cross compliance regime or through the CAP Pillar 1 “greening” proposal we would like to see the above poor practices urgently addressed.
- 3.9 We also highlight the importance of the CAP Pillar 1 ‘greening’ component (in tandem with CAP Pillar 2 measures) in the delivery of WFD requirements. Whilst sustainable land management schemes (such as Glastir) are imperative in helping the industry meet WFD requirements, they are voluntary and not implemented nationwide. Given the extensive geographical nature of water body failures in Wales, CAP Pillar 2 measures alone will not deliver the levels of improvements required. CAP Pillar 1 “greening” measures will therefore have an equally important role in WFD delivery.

Removal of Pillar 2 Axes measures

- 3.10 Under the current CAP reform proposals, it is also envisaged that Rural Development Plan (RDP) arrangements 2013- 2020 will be revised with the removal of the four axes structure to better meet the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth. We believe this is a positive development and could help deliver environmental improvements in a more integrated manner. Having said this we acknowledge that the long term RD objectives for the sustainable management of natural resources, balanced territorial development and competitiveness will still need to be addressed but achieved by following six clearly defined EU priorities notably;
- Enhancing competitiveness of all types of agriculture
 - Preserving and enhancing ecosystems dependent on agriculture and forestry
 - Promoting resource efficiency and low carbon economy transition
 - Promoting food chain organisation and risk management in agriculture
 - Fostering knowledge transfer in agriculture and forestry
 - Realising employment potential and development of rural areas
- 3.11 This will provide an opportunity to outline a clear theme or vision for the Welsh environment. Driven by WG with Natural Environmental Framework (NEF) identified as clear guiding principles, the Welsh RDP post 2013 has the potential to champion a vibrant agricultural industry and a sustainable environment where the delivery of environmental goods and services play a central role. Examples could include the promotion of “food quality/farm assurance” schemes that require a strong environmental focus. Further improvements could be made in supply chain efficiency, supporting local businesses and wider rural economy interests through CAP and RDP funding. WG promotion of such schemes would be seen as a further opportunity for the farming sector to improve economic returns, reducing food miles, whilst also delivering the wider environmental goods and services that society demands.
- 3.12 We believe mechanisms should be developed that help create a viable market for the agricultural products produced through such schemes. Emphasis here would be placed on consumers, as well as the commercial and public sectors, to reduce food miles by procuring produce locally (Value Wales). Food procurement strategies should be promoted (with the greater use of Environmental Management Systems) that assess the environmental footprint of all resources brought into an enterprise, including food. Parallels could be drawn with the Green Dragon Environmental Management System, which promotes good business practice whilst delivering both environmental and economic benefits. Led by WG this market could actively acknowledge and promote the important public and environmental benefits that land managers will deliver in the future. It would also help promote the aspirations of the “Green Jobs Strategy

⁸ Scottish Government /SEARS Natural Scotland : Reducing the risk of water pollution – Diffuse Pollution GBR 19 : Keeping livestock

for Wales”, where “greening” the economy not only makes good environmental sense but offers considerable opportunities for businesses across Wales”⁹.

- 3.13 Better integration of RDP measures could be achieved in ways that minimise bureaucracy, whilst ensuring that future projects are accountable for delivering against key EU objectives. Welsh agriculture currently delivers a diverse range of ecosystem services, some of which attract public funding. We need to see the true value of what Welsh agriculture could deliver to society acknowledged through CAP. There is great potential for Welsh agriculture to become a world leader - delivering real tangible benefits that will be good for farmers and good for the environment.

Q2. What should the Welsh Government’s (WG’s) priorities be in its negotiations on CAP Reform to ensure a beneficial outcome for Wales?

- 3.14 In its negotiations on CAP Reform WG needs to identify WFD compliance as a key CAP priority. As the Directive sets challenging objectives for the water environment based on protecting ecological health, it is of critical importance that future land management practices embrace these objectives and assist the industry in meeting environmental challenges notably NEF aspirations.
- 3.15 The deadline for the submission of the WFD RBMPs and Programme of Measures (PoM’s) was December 2009. MS have 3 years (until 2012) to make operational the PoMs in order to achieve environmental objectives in 2015. Also in 2015, MS have to update the RBMPs and PoMs. This timescale and the fact that a reformed CAP will be implemented from 2014 onwards provide a unique opportunity to establish a coherent and strong link between WFD implementation and Single Payment Scheme (SPS) cross compliance.

Single Payment Scheme.

- 3.16 The future method by which the SPS will be administered continues to dominate discussions in Wales. Opportunities and threats remain with either a historic or area based payment system. Adopting a historic approach in Wales, to date, has been administratively simpler to implement compared with a flat rate area approach and it has reduced the risk of sudden structural change in the industry.
- 3.17 For the majority of Welsh farmers the CAP continues to account for the largest proportion of farm profitability¹⁰. On average, the SPS represents 80% of Farm Business Income to Welsh farmers. However with the movement to an area based method of payment now inevitable, it is widely acknowledged that there will be a considerable re-distribution of payments which could have serious implications for farm businesses and agricultural production in Wales. There are concerns about the impact that movement to an area based method of payment will have on the traditional family farms of Wales. Modelling undertaken to date has indicated that there will be a significant re-distribution of payments within the farming sector in Wales. Under a simple flat rate payment it is envisaged there will be a considerable shift in payment receipts away from the lowlands to the uplands with significant subsequent social, economic and environmental ramifications.
- 3.18 Under the latest CAP Reform proposals it is proposed that there will be a 40% area payment - 60% historic payment split in Year One. This will greatly affect Wales which currently operates the historic SPS method. This could impact on the future of the dairy sector which is the largest source of Category 1 and 2 water pollution incidents. The dairy industry is currently struggling with low margins but could also lose out under the “greening” proposals as they will be restricted by the acreage of a feed crop they can grow. The financial losses envisaged could be particularly acute in a period when the dairy industry needs to improve its environmental performance by investing in improved manure and slurry storage. Given that all MS are obliged to move towards a uniform area payment by Jan 2019 it will be imperative that transitional

⁹ Ieuan Wyn Jones Announcement on the launch of the draft “Green Jobs Strategy for Wales”, 18 Nov 2008

¹⁰ Welsh Assembly Government, *Farming, Food and Countryside: Building a secure future Annex1: Industry Challenges*, May 2009 [Accessed 10 February 2010]

arrangements could be considered to allow the farming industry, in particular the dairy industry to adjust.

- 3.19 We are aware that compulsory EU modulation may end under current CAP proposals. However we note the EC has introduced flexibility between Pillars allowing the MS the option of moving up to 10% of national ceiling funds from Pillar 1 to support Pillar 2 measures. We also note that MS will also have the flexibility to move up to 5% from Pillar 2 in support of Pillar 1 measures. We recognise that, to date, modulation has been an important funding mechanism that has supported Tir Gofal and now Glastir. It is important that adequate funding is secured for the future to support sustainable land management practices which are critical to WFD and NEF delivery.

Q3. How can Wales ensure that its views inform the negotiation process?

- 3.20 Given the challenges facing Welsh agriculture and the economic and environmental importance of CAP payments to land managers in Wales, it is essential that WG influences the European Parliament and EC to deliver the best CAP outcomes for Wales. WG needs to work closely with the UK Government and the other devolved governments to shape the UK's negotiating position. It is also important that WG engages with stakeholders in Wales as it prepares its position on CAP Reform.
- 3.21 Wales is not alone in facing CAP Reform. England, Germany and Finland have already changed their payment system from an historic to an area based model. Other devolved UK administrations are also in the same situation. The Scottish Government (SG) have also undertaken Inquiries into how financial support to agriculture and rural development could be tailored to deliver SG's aspirations. The "Pack Inquiry" which published its final report in November 2010 examined an area basis for direct payments but flagged up the considerable financial redistribution between farms of the same type and between regions that would occur under a move from historic to area based payment. It confirmed that intensive livestock farms would be the hardest hit. Parallels could be drawn with Wales with the high dependency on beef, dairy and sheep as well as the climate and Less Favoured Area (LFA) status similarities.

4.0 CONCLUSION.

- 4.1 Major changes have occurred in Welsh farming policy in recent years. Change will continue and pressures from UK Treasury, the European Commission and global institutions are likely to force even greater shifts in EU food/farming policy and markets. This coupled with the need to respond to climate change will accelerate the restructuring of the agricultural sector that has already begun.
- 4.2 Agriculture can have a major impact on the environment, particularly to key resources essential to society (e.g. drinking water, soil quality, bathing/shellfish waters, flood risk management and biodiversity). To ensure these resources are protected, CAP could focus on reducing these impacts and promoting sustainable growth in the future.
- 4.3 We believe that the next CAP programme should include support to deliver WFD outcomes and to recognise the role that it can play in climate change adaptation and mitigation. Key features of the existing scheme should be protected where they deliver important environmental outcomes and the 'greening' component should complement, rather than dilute these benefits.
- 4.4 Cross Compliance could be strengthened to achieve broad implementation of basic standards with additional targeted action needed to improve the environment.
- 4.5 To deliver WFD outcomes, future CAP Reform and Rural Development funding needs to continue to champion sustainable agricultural practice and highlight the fundamental need for all farm sectors to improve their environmental performance. The promotion of sustainable development and the integration of environmental concerns should remain key principles.



Cyngor Cefn Gwlad Cymru Countryside Council for Wales

NATIONAL ASSEMBLY FOR WALES: ENVIROMENT AND SUSTAINABILITY COMMITTEE

COMMON AGRICULTURAL POLICY TASK AND FINISH GROUP SUBMISSION BY CYNGOR CEFN GWLAD CYMRU/COUNTRYSIDE COUNCIL FOR WALES

Summary

CCW welcomes this opportunity to present evidence to the Committee's Task and Finish Group. The main points we wish to emphasise are as follows:

(i). Despite the influence of market forces, new technology and social change, the Common Agricultural Policy (CAP) remains a hugely significant influence on the behaviour of individual farmers as well as on the overall structure of the agricultural industry, the viability of rural communities and the quality of the Welsh environment.

(ii). The CAP reform debate is taking place within a much wider discussion over the scale of the CAP, the size of the EU budget and the future needs of the European Union, including the requirements of the Resource Efficiency Roadmap¹. The increase in size of the EU and the emergence of new negotiating blocs increases the probability that rather than allocated on the basis of agreed objectives, the scale of the resources available for the CAP during 2014-2020 will be based on the results of last minute negotiations over both the size and the purpose of the EU budget. The current economic situation and the increased influence of the European Parliament also have to be taken into account.

(iii). CCW's long term vision for the future of the CAP involves a fundamental shift in emphasis, such that the policy is transformed into one that focuses on the provision of a wide range of environmental public goods alongside food production. CCW favours a "green CAP" within which a strengthened Pillar 2 is used to target the provision of environmental benefits more precisely whilst Pillar 1 underpins the maintenance of ecosystem services. This reflects the approach set out in the emerging Natural Environment Framework (NEF) for Wales. In this context, the reformed CAP will be central to the delivery of a new approach to the management of land and water as proposed within the NEF.

(iv). The draft EU budget has already signalled a real term reduction of c.9% in the EU budget over the period 2014-2020. At the present time both Pillars are affected to a similar degree, but the situation may well change during the final budget negotiations, especially in light of the current financial crisis and the P2 co-financing obligations placed on Member States. Bearing in mind that the scope of P2 has already been significantly extended within

¹ "Roadmap to a Resource Efficient Europe". EC Communication COM(2011) 571 final. September 2011. Accessible at: http://ec.europa.eu/environment/resource_efficiency/

the draft RDR, a further reduction in the P2 budget is likely to mean that many M/S will need to rely on a green Pillar 1 as part of delivering against the ecosystem services agenda.

(v). With regard to the detailed proposals put forward by the Commission, CCW has the following observations:

- In terms of direct payments, the shift from historic to area payments will result in income distribution. The economic, social and environmental impacts of this are difficult to predict. In order to avoid perverse effects, it will be important to ensure that the Welsh Government has the capacity to establish a series of "sub-regions" within which a uniform basic payment per hectare can be established according to the nature of the land and the types of farming being carried out.
- The proposed Small Farmers Scheme is effectively mandatory, since if farmers opt to apply, the relevant Member State/Region will need to provide a payment of between 500 and 1000 euros per farm per annum. The administrative costs could be substantial and it would be more appropriate for Member States to be allowed to operate such schemes on a discretionary basis. In the event the scheme remains mandatory then cross compliance requirements should continue to apply to all participants.
- A natural constraints measure (formerly known as LFA) currently exists within both Pillar 1 and Pillar 2. In order for the Welsh Government to maintain its current commitment to tackling biodiversity loss, water management and climate change it will be important to ensure that the natural constraints measures remain discretionary.
- Subject to further negotiations at EU level it is possible that a greened Pillar 1 could be used to incentivise farmers to join agri-environment schemes (AES) by ensuring that they are exempt from the greening requirements in the same way as organic farmers. Alternatively, the greening measures could be used to "raise the bar" for those participating in AES, thus ensuring that RDP funds can be used to purchase an increased level of environmental benefit.
- Whilst CCW recognises the desirability of minimising the number of changes to Glastir, the proposed EU requirement that the Pillar 1 greening measures should "go beyond cross compliance" means that some further adjustments to the AWE are likely to be necessary. For instance, the modification or the removal of options 15B and 15D (grazed permanent pasture with inputs of up to 100kg of nitrogen per annum) would make it more likely that the Commission will agree with the proposition that all participants in Glastir should be exempt from the P1 greening requirements.
- In order to ensure that the Welsh Government can deliver against its environmental commitments and the proposed Natural Environment Framework, it remains necessary to secure an improved Pillar 2 budget at EU level as well as an increased Pillar 2 allocation in relation to both the UK and Wales. At the same time the Welsh Government will need to maintain its existing commitments in terms of its own resources whilst making maximum use of flexibility which allows for a transfer of funds from Pillar 1 into Pillar 2.

- The need for all Member States/Regions to maintain existing levels of agri-environmental & climate commitments, as well as ensuring that all RDP's allocate a minimum of 25% of the EAFRD contribution to the delivery of land management measures, is signalled in the preamble to the draft RDR. Ensuring this requirement is also inserted into the main text of the new Regulation would help to ensure a level playing field at European level.

(vi). In order to underpin its negotiating stance, the Welsh Government will need to carry out sufficient modelling in relation to the impact of the P1 greening measures as well the distribution of basic payments. In particular it will be necessary to ascertain if participation in the Glastir AWE is sufficient to meet the proposed Ecological Focus Area (EFA) requirement.

(vii). CCW has proposed a number of specific amendments to the draft regulations, especially in relation to the greening of Pillar 1. We look forward to discussing our proposals with the Committee.

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. Some 80% of Wales is farmed. As a result, the agricultural industry has a significant role to play in helping both CCW and the Welsh Assembly Government to deliver against agreed priorities for biodiversity, landscape and public access to the countryside.

1.3. Whilst agriculture is affected by a wide range of drivers, the Common Agricultural Policy (CAP) remains a hugely significant influence on the behaviour of individual farmers as well as on the overall shape of the industry. CCW's long term vision for the future of the CAP involves a fundamental shift in emphasis, ensuring that the policy is transformed into one that is capable of supporting the provision of a wide range of public goods alongside food production. These public goods include the management of clean air and water, healthy soils, biodiversity, cultural landscapes and public access to the countryside². Central to our vision is the role of farmers in managing a range of ecosystem services, including carbon sequestration, flood storage and nutrient cycling, all of which play a vital part in underpinning agricultural productivity. This reflects the approach set out in the emerging Natural Environment Framework (NEF) for Wales³.

² The European Commission has recently commissioned a major report on public goods and agriculture. This is accessible at: http://ec.europa.eu/agriculture/analysis/external/public-goods/report_en.pdf

³ Further information accessible at : <http://wales.gov.uk/topics/environmentcountryside/consmanagement/nef/?lang=en>

2. Background

2.1. The European Commission's Communication on reforming the CAP post 2013 was published on 18 November 2010⁴. This set the context for the current round of negotiations by highlighting concerns around food security, environmental resources and climate change as well as stressing the diversity of environmental, social, economic and land management situations that exist in different parts of the EU.

2.2. The Commission's draft legislative proposals for the CAP were formally published on 12th October 2011, although leaked versions of the individual Regulations had been in circulation from mid-August onwards. The final package sets the basis for the current negotiations. It comprises seven separate draft Regulations⁵, three of which have significant implications for Welsh agriculture and the environment:

- Proposal for establishing rules for direct payment schemes for farmers (Direct Payments Regulation);
- Proposal on the financing, management and monitoring of the Common Agricultural Policy (the 'Horizontal' Regulation);
- Proposal on support for rural development by the European Agricultural Fund for Rural Development (the 'RDR').

2.3. The other four Regulations cover technical matters to do with the organization of agricultural markets and a transitional measure which is designed to ensure that modulation of direct payments can continue to take place during 2013.

2.4. The regulatory package is accompanied by an Impact Assessment (IA)⁶ of the various reform scenarios which were described in the Commission's original Communication on CAP reform back in November 2010. Both the Welsh Government and CCW previously submitted evidence in January 2011 as part of the IA process⁷. The final IA draws on the results of the EU-wide consultation process before examining more recent work by the Commission on developing the favoured "integration scenario" - under which direct payments play an increased role in providing environmental public goods (the so-called 'greening' of Pillar 1) alongside basic income support and an increased number of P2 measures.

2.5. The progress of CAP reform is inextricably linked with the ongoing debate over the size and purpose of the EU budget. The publication of the Multi-annual Financial Framework (MFF) at the end of June 2011 signalled the Commission's intention to proceed with the CAP integration scenario under which the current financial balance between Pillar 1 (direct payments) and Pillar 2 (rural development) is maintained. The MFF also reveals that the CAP budget is likely to shrink in real terms by some 9.2% over the period 2014-2020 and from 39.6% to 36.1% as a percentage of the overall EU budget⁸.

⁴ "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future". Accessible at: http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

⁵ Accessible at: http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

⁶ Accessible at: http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

⁷ A copy of the CCW submission is available on request

⁸ "A Budget for Europe 2020 - Part I - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions".

Accessible at: http://ec.europa.eu/budget/biblio/documents/fin_fwk1420/fin_fwk1420_en.cfm#doc2

2.6. Bearing in mind the current financial climate, it is by no means certain that Member States will regard the proposed reductions in CAP spending as sufficient. However, the European Parliament (EP) now has co-decision powers alongside the Commission and the Council under the Lisbon Treaty. Moreover the EP has resolved that the “amounts allocated to the CAP in budget year 2013 [the last year of the current financial perspective] should be at least maintained during the next financial programming period”⁹.

3. Key Elements within the Commission’s current CAP reform proposals

Direct Payments Regulation

3.1. In order to qualify for the “Basic Payments Scheme” (equivalent to the current SPS and worth up to a maximum of 68% of the available funds within the national/regional ceiling for Pillar 1) farmers must carry out a range of agricultural practices of benefit to the environment as well as respecting cross compliance requirements:

- Where the area of arable land exceeds 3ha, at least 3 different crops must be grown, with a minimum of 5% and maximum of 70% of eligible area in the case of each crop (Article 30);
- Permanent pasture (defined as grassland and herbaceous forage) must be maintained, although farmers will be allowed to reduce the area of permanent pasture existing in 2014 by up to 5% over an unspecified period (Article 31);
- At least 7% of the eligible hectares (excluding land under permanent grassland) must be devoted to “Ecological Focus Areas”. These can include areas of fallow, landscape features, buffer strips and agricultural land that has been planted with trees (Article 32).

3.2. Member States/Regions are obliged to use 30% of their direct payments budget to finance the greening requirements (Article 33.1). However, in the event that individual farmers fail to comply with the greening measures, the scale of the penalty remains unclear. Paragraph 26 of the preamble to the Direct Payments Regulation refers to the application of penalties under Article 65 of the Horizontal Regulation, which empowers Member States to reduce aid or exclude farmers from the relevant schemes. By contrast, Article 29 of the Direct Payments Regulation refers to the requirement that “farmers entitled to the basic payment scheme shall observe on their eligible hectares” the greening measures. Article 29 suggests, therefore, that farmers who fail to observe the greening measures will not be entitled to basic payments.

3.3. Member States/Regions must also allocate up to 2% of the direct payments budget to the support of young farmers (Article 37) and are required to establish a small farmers scheme which could account for a further 10% of the budget (Article 51.2). At the same time Member States/Regions can opt to use up to 5% of the budget to support LFA farmers (Article 35), whilst a further 5% can be devoted to “specific types of farming which are important for economic or social reasons” (Article 39). In the event that all of these elements

⁹ European Parliament Resolution of 8 June on “*Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (2010/2211(INI)*”, P7_TA-PROV(2011)0206, Rapporteur: Salvador Garriga Polledo, para 82.

were taken up, the allocation to basic payments would reduce to just under 50% of the total budget available for direct payments in the Member State/Region in question.

3.4. Other significant elements in the draft Regulation are as follows:

- All Member States/ Regions will be required to move to an area-based system of direct payments over a five year transition period starting on 1st January 2014 and ending on 1st January 2019 (Article 22.5);
- Basic Payments in excess of 150,000 euros will be progressively reduced (by 20% for amounts of between 150-200,000 EUR; by 40% for amounts of between 200- 250,000 EUR and by 70% for amounts of between 250-300,000 EUR) and will be capped at a maximum of 300,000 EUR per farmer (Article 11).
- Direct payments will only be granted to “active farmers”. These are defined as farmers whose direct payments exceed 5% of their total receipts from non-agricultural activities. Farmers receiving less than 5000EUR per annum in direct payments are exempt from the active farmer requirement (Article 9).
- In order to strengthen rural development policy (Pillar 2), Member States will be able to transfer up to 10% from their direct payments allocation (Pillar 1) to their rural development allocation (Pillar 2). Existing requirements in terms of compulsory modulation (5%) and voluntary modulation (up to 20% in the case of the UK) will be abolished.
- Member States where the level of direct support remains below 90% of the European average (including the UK) will be able to transfer up to 5% from their rural development allocations into their direct payments budget in a process otherwise known as “reverse modulation” (Article 14).

Rural Development Regulation (RDR)

3.5. Whilst there is much that is familiar in the draft Regulation in terms of the types of policy instruments available, there are also some significant changes. These come in the form of new instruments (such as a risk management toolkit) as well as new requirements in terms of the way that Member States/Regions are obliged to construct the new generation of Rural Development Plans in the run up to 2014. In line with the Europe 2020 Strategy¹⁰, the existing long term objectives of the RDR (improved competitiveness, sustainable management of natural resources and balanced territorial development) must be met by addressing the following six EU priorities:

- Fostering knowledge transfer in agriculture & forestry;
- Enhancing competitiveness of all types of agriculture;
- Promoting food chain organization and risk management in agriculture;
- Preserving and enhancing ecosystems dependent on agriculture & forestry;

¹⁰ Accessible at: http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm

- Promoting resource efficiency and the transition to a low carbon economy;
- Realising the employment potential & development of rural areas.

3.6 All of the above priorities must also contribute to the cross cutting objectives of innovation, environment and climate change mitigation & adaptation (Article 5).

3.7. According to the draft Common Rules Regulation which was released as part of the Commission's proposals on Cohesion policy on 6th October 2011¹¹, Member States (rather than Regions) are required to prepare a "partnership contract" for the period 1 January 2014 to 31 December 2020. Such contracts are intended to cover the integrated use of all EU funding (EAFRD, ERDF, ESF, Cohesion Fund and the European Fisheries Fund) in the Member State concerned.

3.8. At the level of the Region (i.e. Wales) each Rural Development Plan will also be required to demonstrate that relevant combinations of measures (such as agri-environment, forestry, LFA, investment, knowledge transfer, risk management etc etc) will be used in such a way that all six of the EU priorities can be addressed, with targets set on the basis of a SWOT analysis of the territory concerned (Article 9). The existing system under which Member States Regions were constrained by maximum and minimum percentages of the EAFRD contribution that could be allocated to competitiveness; management of natural resources; social & economic rural development and LEADER (the so-called "Axis" based approach) will be abolished.

3.9. Other significant elements in the draft Regulation are as follows:

- Agri-environment remains a compulsory measure (albeit Article 9 now refers to "agri-environment-climate") and in a welcome change from the previously leaked version of the RDR, paragraph 28 of the preamble now refers to at least 25% of the EAFRD contribution to each RDP being allocated to the agri-environment-climate, organic farming and LFA measures;
- A renewed emphasis on knowledge transfer and advice (Articles 15 & 16) and the use of this measure as a cross-cutting theme in relation to other measures such as agri- environment (Article 29.4).
- The capacity to make payments to both farmers and foresters to cover the costs incurred and income foregone as a result of complying with Natura 2000 designations and the implementation of the Water Framework Directive (Article 31).
- A new definition of non-mountainous "areas facing natural and other specific constraints (formerly known as LFA) which is based on eight biophysical criteria under the broad headings of climate, soil and terrain (Article 33 and Annex II). Farmers who are no longer eligible for payments under the new definition can be granted transitional payments, starting at 80% of the existing payment per ha in 2014 and ending in 2017 at 20% of the existing payment (Article 32).

¹¹ Accessible at: http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#5

- An increased emphasis on promoting farmer co-operation (Article 36) including the capacity to contribute to the transaction costs of groups of farmers participating in agri-environment schemes at a rate of up to 30% of the sum of income foregone plus costs (Article 29.6)
- New measures relating to risk management, including compensation for losses incurred following natural disasters as well as financial contributions to mutual funds to cover compensation payments and to help with creating an “income stabilisation tool” (Articles 37-40).
- A new approach to stimulating innovation in relation to improving agricultural productivity and sustainability (Articles 53 & 61-63). This work will be taken forward by a new European Innovation Partnership (EIP) with the aim of building bridges between cutting-edge research, knowledge and technology and farmers, businesses and advisory services.

Horizontal Regulation

3.10. Whilst the bulk of the Regulation is concerned with technical matters largely of concern to Paying Agencies, there are a number of topics which have particular environmental implications:

- The role of the Farm Advisory Service has been substantially expanded, rather than being restricted to cross compliance issues was previously the case. The range of topics to be covered must now include the statutory management requirements (SMR’s) and good agricultural and environmental condition (GAEC); the P1 greening measures; actions related to climate change mitigation & adaptation, biodiversity, the protection of water, animal diseases and innovation as well as the sustainable economic development of small farms (Articles 12-15 and Annex I).
- The scope of cross compliance is extended to cover both the Water Framework Directive (within 12 months from the moment that the last Member State has notified the implementation of the Directive to the Commission) and the Pesticides Directive (implementation date as per the WFD).
- To ensure consistency of interpretation all of the cross compliance standards and requirements are now organised in a single list and grouped by topics and issues (Articles 93 & 94 as well as Annex II). Two new GAEC standards have been added in order to protect soil and minimise greenhouse gas emissions. These require the maintenance of soil organic matter and the protection of wetlands and carbon rich soils.
- The common monitoring and evaluation framework (CMEF) will cover the performance of the direct payments regime (including cross compliance) and the operation of the market measures as well as the Rural Development measures (Article 110).

4. What could the European Commission's proposals mean for Wales?

4.1. Whilst much still remains to be agreed, the overall architecture of the CAP post 2013 is steadily becoming clearer. Although a substantial number of Member States, farming organisations and NGO's have significant reservations about the greening of Pillar 1¹² (albeit for widely different reasons) there is considerable support within the Commission for such an approach, with Dacian Ciolos (Agriculture), Connie Hedegard (Climate) and Janez Potocnik (Environment) stating in March 2011 that *"Greening is, alongside the redistribution of direct payments and the reinforcement of agricultural competitiveness and rural development, at the core of the future CAP"*¹³.

Basic Payments

4.2. From a Welsh perspective, one of the most significant aspects of the current proposals is the shift in the basis of direct payments, with a change from a historic approach (based on the subsidies received in the 2000-2002 reference period) to a uniform payment per hectare. The need for such a change has long been highlighted by successive Agriculture Commissioners as well as being accepted by successive Agriculture Ministers in Wales. For instance, on 5th July 2011, the Deputy Minister for Agriculture, Fisheries and European Programmes stated that *"the move to an area based and flatter Single Payment is inevitable. I cannot justify a system based on farming patterns of more than 10 years ago which also puts an obstacle in the way of young entrants"*¹⁴.

4.3. The Minister also went on to say that *"our own research has shown that area payments will mean income redistribution"*. As a member of the WG CAP reform steering group, CCW has had access to this research and it is evident that any system will create losers as well as winners. Various models have been tested in the past (including lower payment rates per ha within the LFA as per the current English scheme) but the existing draft of the Direct Payments Regulation refers to need to move to a 'uniform unit value' for all payment entitlements within a Member State or Region. Whilst this wording would appear to preclude a regional approach within Wales itself, Article 20 (1) allows Member States to "define regions in accordance with objective and non-discriminatory criteria such their agronomic and economic characteristics, their regional agricultural potential and institutional and administrative structures". It will be necessary to clarify whether this Article also permits the Welsh Government to define a number of "sub-regions" within Wales (such as non- LFA, less disadvantaged LFA and severely disadvantaged LFA).

4.4. A number of flat rate models are now being looked at by the Welsh Government and CCW understands that the results will be shared with the P1 Stakeholder Group in due course. At the moment it is clear that a simple flat rate payment for all land in Wales would lead to a substantial shift in receipts away from the lowlands (especially from those farms that were more heavily stocked during the reference period) to the uplands. The social, economic and environmental implications of this are likely to vary from farm to farm whilst

¹² "Member States fear Pillar 1 greening will complicate CAP". *Agra Europe* 20th Septemebr 2011. Accessible at: <http://www.agra-net.com/portal2/home.jsp?template=pubarticle&artid=1315565604578&pubid=ag002>

¹³ Commissioners Ciolos, Hedegard and Potocnik - joint letter to Member States on CAP reform, March 2011 (no internet link, but copy available on request)

¹⁴ Statement on CAP Reform by Alun Davies, Deputy Minister for Agriculture, Food, Fisheries and European Programmes. 5th July 2011. Accessible at: <http://www.assemblywales.org/bus-home/bus-chamber-fourth-assembly-rop.htm?act=dis&id=219203&ds=7%2F2011#dat2>

the length and the nature of the transition period (currently set at 5 years, but with a substantial front loading) will also be a negotiation issue.

4.5. The progressive reduction and capping of basic support payments seems unlikely to cause significant administrative problems in Wales since only a handful of future claims are likely to be for more than 150,000 euros¹⁵. By contrast, the new requirement to apply the current definition of the “Active farmer” test could place significant demands on the Rural Payments Division.

Areas facing natural of other specific constraints (formerly known as Less Favoured Areas)

4.6. As the Commission’s proposals stand at present, natural constraints payments could feature in both Pillar 1 and Pillar 2. Most Member States appear to feel such an approach is overly complicated and the Commission may well have included it primarily as a negotiating tactic.

4.7. In order for the Welsh Government to maintain its current commitment to tackling biodiversity loss, water management and climate change it will be important to ensure that the natural constraints measures remain discretionary within both Pillar 1 and Pillar 2. Provided the Welsh Government is able to apply the basic payment scheme on a sub-regional basis, this would appear to over-ride any benefits that might be derived from a making a natural constraints payment available under Pillar 1.

Small Farmers Scheme

4.8. The wording of Article 47.1 (“farmers holding payment entitlements allocated in 2014....., may opt for participation in a simplified scheme”) suggests that it is mandatory to establish a Small Farmer Scheme. Farmers participating in this scheme must receive at least 500 Euro and no more than 1000 Euro per annum (Article 49.3). Participants will be exempt from the Pillar 1 greening measures (Article 47.3) with Article 92 of the Horizontal Regulation proposing that their obligations under cross compliance will also be removed.

4.9. There appear to be no size thresholds specified in relation to the Small Farmer Scheme, with farms of any size able to apply depending on whether or not the payments appear to be sufficiently attractive. The environmental implications of this may be significant in the event that the cross-compliance requirements applicable to such farms are removed as proposed in Article 92 of the Horizontal Regulation¹⁶. In addition, the administrative costs involved in setting up such a scheme could be substantial.

Greening

4.10. The impact of the proposed greening measures is hard to gauge at present, not least because the Commission is proposing that it should be empowered to adopt “delegated acts” expanding on the application of the existing texts on crop diversification, permanent pasture and ecological focus areas, amongst others (Article 55). CCW understands that the Welsh Government considers that the greening of Pillar 1 is fundamentally wrong¹⁷, with environmental enhancement more properly a matter for Pillar 2. Defra shares this view, but unlike the devolved administrations wishes to reduce the current emphasis on Pillar 1¹⁸.

¹⁵ Welsh Government – personal communication

¹⁶ Some 33% of the farms in the EU 27 are under 3 hectares

¹⁷ *Welsh Government position on CAP reform – 5th July 2011. Op cit.*

¹⁸ “Britain and Poland call for radical CAP reform” September 2011. Accessible at: <http://www.defra.gov.uk/news/2011/09/20/britainpolandcapreform/>

Many other Member States and farming organisations are opposed to greening, whilst European NGO's such as Birdlife consider that the measures are insufficiently developed at present to deliver significant environmental benefits¹⁹. Nevertheless, the joint involvement of three Commissioners for Agriculture, Environment and Climate Change suggests that some form of greening of Pillar 1 remains highly likely.

4.11. The crop diversification measure applies only to those farms with more than 3ha of arable land. It may deliver benefits within intensively managed arable landscapes, but this will depend on how it is implemented. By contrast, the requirement to grow at least three crops when the arable area exceeds 3ha seems likely to discourage the kind of small arable cropping for stock feed and straw which also helps to benefit farmland birds. It may also serve to reduce the uptake of arable options within schemes such as Glastir.

4.12. The proposed restrictions on ploughing permanent pasture may not add significantly to the protection already provided by the existing EIA (Uncultivated Land) Regulations and the existing CAP requirement for all Member States/Regions to take action to prevent a significant deterioration in the total area of permanent pasture. The definition of permanent pasture under Article 4 of the new draft Regulation is very broad and includes "all grasses and other herbaceous forage that have not been included within the crop rotation for five years or longer". The preservation of large areas of recently established grassland is unlikely to deliver significant biodiversity or greenhouse gas sequestration benefits, but will reduce the ability of Welsh farmers to adopt more sustainable agricultural systems. These may involve tree planting as well as conversion to arable and horticulture (often as part of agri-environment schemes).

4.13. A more appropriate definition of permanent pasture would focus on preserving those semi-improved grasslands which are of greatest value to wildlife and/or carbon sequestration. Mapping all such areas, however, would present significant difficulties on an EU-wide basis. Alternatively, it may be easier to negotiate a change to the existing definition, perhaps by basing this on a ten year rule rather than 5 years as currently proposed. Such a definition might still place significant constraints on beneficial changes in land use, but it would provide more flexibility than the current proposal whilst still being relatively easy to apply.

4.14. The existing draft of Article 31 requires farmers to retain 95% of the area of permanent grassland existing on each farm in 2014. Setting a reference date so far into the future could well encourage farmers to plough up existing grassland during the period 2011-2104. In addition, the 95% rule will do nothing to protect the most valuable permanent pastures on many farms.

4.15. Ecological Focus Areas (EFA) appear to hold out the greatest potential for environmental gain²⁰, although it remains to be determined which requirements will be feasible in a Welsh context. Recent experience with Glastir suggests that EFA's will need to be as simple as possible. Farmers may well be left to decide on the content of their individual EFA's and seem unlikely to receive much advice on land management requirements (other than via an RIW inspection or through Farming Connect).

¹⁹ "Common Agricultural Policy (CAP) reform: Radical re-think needed to make the CAP really deliver for the environment". Birdlife International. September 2011. Accessible at: http://www.cap2020.ieep.eu/assets/2011/9/5/Tests_of_greening-BirdLife-PDF_1.pdf

²⁰ LUPG Statement on Set Aside. September 2007. Accessible at: <http://www.lupg.org.uk/Default.aspx?page=119>

4.16. The definition of permanent pasture could well have major impact on the application of the 7% EFA requirement. This appears to apply to all of the land on the holding that is not defined as permanent pasture. It has been suggested that the Commission intends for EFA's to apply arable land and temporary grassland only²¹, but this is not clear from the current draft text. Many Welsh upland farms have large areas of rough grazing which are unlikely to qualify as permanent pasture under the current Article 4 definition. As a result, farms with large areas of heathland and blanket bog could end up with a substantial EFA requirement, most of which would have to be provided on their inbye land (it would be difficult to develop additional EFA measures on heathland or blanket bog without overlapping with the existing Glastir AWE prescriptions).

4.17. In terms of the features that could qualify under an EFA, it is unclear whether any specific width requirement will apply to landscape features such as hedgerows and other traditional field boundaries. Other considerations requiring further investigation are listed in Annex 1.

4.18. An alternative approach to EFA's/the greening measures would derive from the premise that these need to be easy for farmers to follow as well as simple for the Rural Affairs Department to monitor. One possible approach would be to combine the arable and the EFA requirements and permit any land management compatible with GAEC / EIA / NATURA 2000 and other national conservation designations, but to prohibit the use of all pesticides, inorganic fertilisers, farmyard manure, slurry and other materials such as compost, sewage sludge, paper wastes and animal by-products etc on 7% of the non-permanent pasture area. Further work will be required to establish the implications of such an approach, but it is already evident that many of the possible EFA measures will need to remain in the same place for a reasonable length of time. For example, there would be little point in restricting the use of fertilisers on grassland for a single year and then allowing that land to be fertilised during the following year. In this context, however, the reference in paragraph 26 of the preamble to the Regulations to greening practices that are "simple, generalised, non-contractual and annual actions going beyond cross compliance" requires further clarification.

4.19. The interactions between the Pillar 1 greening measures and agri-environment schemes also needs to be examined. Organic farms are currently proposed for exemption from the greening requirements (Article 29.4) and whilst Natura 2000 farms are required to participate in greening they are exempt from out the requirements where these conflict with the purpose of the N2K designation (Article 29.3). In order to reduce the risk of perverse effects there appears to be a strong case for using more targeted environmental measures – with participants in whole farm AES schemes also granted exemption from the greening requirements. This would require a further change to the draft Regulations. In addition, the Commission would presumably require evidence on a case-by-case basis that the relevant AES schemes were sufficiently demanding, or else it could be argued that the Pillar 1 greening measures had not achieved their stated purpose of "going beyond cross compliance"²²

4.20. The implications and the potential environmental benefits to be derived from greening seem likely to vary according to farm type, but such an approach appears most likely to deliver significant benefits where farmers have decided not to apply for an agri-environment

²¹ Institute for European Environmental Policy – personal communication

²² Paragraph 1, page 8 of the preamble to the draft Direct Payments Regulation

scheme, but still wish to claim direct payments. The smaller the rural development budget in a particular Member State or Region, the more it will be necessary to rely on the greening of Pillar 1 in order to deliver EU objectives in terms of biodiversity, water and climate change.

4.21. At the present time, CCW considers that the key strategic question is whether the greening of Pillar 1 should be used to incentivise farmers to join Glastir (which will require an amendment to the existing draft Regulations to ensure that all participants in approved agri-environment schemes can be exempted from the greening requirements) or whether greening should be used to “raise the bar” for those participating in AES - thus ensuring that limited rural development funds can be used to purchase an increased level of environmental benefit.

4.22. Whilst CCW recognises the desirability of minimising the number of changes to Glastir, the proposed EU requirement that the Pillar 1 greening measures "go beyond cross compliance" means that some further adjustments to the AWE are likely to be necessary. For instance, the modification or the removal of options 15B and 15D (grazed permanent pasture with inputs of up to 100kg of nitrogen per annum) would make it more likely that the Commission will agree with the proposition that all participants in Glastir should be exempt from the P1 greening requirements.

Rural Development

4.23. The current emphasis in the draft RDR on knowledge transfer, farmer co-operation, investment and innovation could be used to deliver significant environmental, social and economic opportunities. At the same time the abolition of the Axis structure coupled with the addition of new measures such as risk management is likely to result in a reduced emphasis on agri-environment and climate change within many Member States. In particular, the existing RDR requires that at least 25% of the spending within each rural development plan is devoted to land management measures under ‘Axis 2’. This requirement no longer appears in the main body of the new draft RDR, although in relation to the agri-environment-climate measure, paragraph 28 of the preamble states that: *“Member States should maintain the level of effort made during the 2007-2013 programming period and spend a minimum of 25% of the total contribution from EAFRD to each rural development programme through the agri-environment climate, organic farming and payments to areas facing natural constraints measures”*.

4.24. The Wales Rural Development Plan (WRDP) underpins most public support for forestry activity in Wales. Forestry is an integral element of rural development and the draft RDR continues to provide support for land uses encompassing both increases in woodland area and the sustainable management of existing forests. The measures are designed to deliver against a range of EU priorities and include afforestation and the creation of new woodlands; establishment of agro-forestry systems; prevention of damage and the restoration of forests following forest fires and natural disasters; investments that improve resilience to climate change and enhance environmental value; investments in new forestry technologies and the processing and marketing of forest products. All of these measures will assist with the implementation of the EU Forestry Strategy.

4.25. To date Wales has not used the measure covering the establishment of agro-forestry systems. However, this could be included in the next WRDP in order to assist with the delivery climate change and carbon storage objectives as well as a number of other benefits. The suggestion is that tree planting on farms, including additional hedgerow trees, is considered under this measure. In the meantime, all of the existing forestry grants which are

underpinned by WRDP funding are in the process of being transferred into Glastir.

4.26. The reduction in the maximum rate of modulation to 10%²³ seems unlikely to create significant issues within Wales, although some administrations may struggle to make up for the lost resources unless the UK's future allocation under Pillar 2 is increased. The possibility of reverse modulation (transfers from Pillar 2 to Pillar 1 of up to 5%) within certain Member States, including the UK, may create a competition issue at European level.

4.27. As set out in the draft EU budget, the Pillar 2 budget will experience a decline in real terms over the period 2014-20. Allocations of rural development funds to individual Member States are to be determined during 2012 and will be based on "objective criteria and past performance". In the event of a decline in the Welsh allocation under Pillar 2, CCW believes it will be necessary for the Welsh Government to use the flexibility available under Article 14 of the Direct Payments Regulation to boost the funds available within the Wales Rural Development Plan. Such funds can be used to drive forward an agricultural policy based on innovation, investment, co-operation and knowledge transfer as well as underpinning increased participation in Glastir (which could be incentivised by ensuring that all participants in suitable whole farm agri-environment schemes are exempt from the Pillar 1 greening measures).

4.28. The requirement in the Common Rules Regulation for "Partnership Contracts" (which are designed to ensure the integration of all EU funding streams within a Member State holds out the prospect of an improvement in the quality of plan making, but the need to agree such contracts at UK level before embarking on the preparation of the next Wales Rural Development Plan could well result in delays. The new WRDP will no longer be constrained by the axis structure, but the need to demonstrate a much more integrated approach whereby "*relevant combinations of measures [and targets] are included in relation to the Union priorities for rural development included in the programme*" (Article 9.1.c) could present new kinds of difficulties when seeking Commission approval.

Horizontal Issues

4.29. From an environmental perspective, the new cross compliance measures, expanded farm advisory service and the requirement to monitor all of the CAP measures (rather than just those under Pillar 2) are welcome, but the inevitable consequence is that Welsh Government resources (both financial and administrative) are going to be spread more thinly. In terms of cross compliance this suggests that the regulatory emphasis should shift to those farms that appear to present the greatest risks in terms of non-compliance – in so far that such an approach is consistent with EU Audit requirements.

5. What should the Welsh Government prioritise in its negotiations so as to ensure a beneficial outcome for Wales?

5.1. CCW believes that the Welsh Government should prioritise the following issues in relation to the potential environmental impacts of the Commission's proposals:

- The nature of the Pillar 1 greening measures, in particular the detailed wording of Articles 4, 29, 30, 31 and 32;

²³ The current maximum rate of voluntary modulation (applicable within the UK) is 20%.

- The need for an adequate Pillar 2 budget at EU level as well as a satisfactory Pillar 2 allocation in relation to both the UK and Wales;
- The need for all Member States/Regions to maintain existing levels of agri-environmental & climate commitments as well as ensuring that all RDP's allocate a minimum of 25% of the EAFRD contribution to the delivery of land management measures.
- Clarifying that the new basic support payments (to be paid at a uniform rate per ha) can be made available on a sub-regional basis as well as modelling the effects of a range of alternative scenarios;
- Clarifying the nature of the transition period to be used when applying to the shift from historic to area payments;
- Examining the impact of progressive reductions/ capping of direct payments in relation to those farms currently supplying significant quantities of environmental public goods;
- The nature of the small farmers scheme and whether this needs to be mandatory within all Member States/Regions as well as providing exemptions from both the Pillar 1 greening measures and cross compliance;

6. How can Wales ensure that its views inform the negotiation process?

6.1. The timetable for the current round of CAP reform has already slipped, but following the initial Agriculture Council debate on 20 & 21 October, the expectation is for the remainder of the process to unfold as follows²⁴:

- 14 & 15 November 2011 – Agriculture Council debate on Direct Payments;
- 15 & 16 December 2011 – Agriculture Council debate on Rural Development;
- Spring/Summer 2012 - Co-decision process involving European Parliament (EP), the Commission and Agriculture Council as required under the Lisbon Treaty. The EP will refer back to its previous own reports on CAP reform²⁵;
- Spring/Summer 2012 – Implementing legislation/Commission Delegated Acts developed in parallel with ongoing debate over the wording of the new Regulations;
- Late 2012/2013 – final decision on EU budget.

6.2. This final text of the EU budget will have implications for all new Rural Development Plan's, especially if the existing draft budget is reduced by Heads of Government. Such a reduction would almost certainly have knock on effects on the CAP budget and the financing of Pillar 2 – placing many M/S in the position of having to rely on a combination of own resources and the greening of Pillar 1 to deliver the necessary management of ecosystem goods and services.

²⁴ Institute for European Environmental Policy - personal communication

²⁵ "The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future". Committee of the European Parliament on Agriculture and Rural Development. Rapporteur, Albert Dess. Accessible at: http://www.europarl.europa.eu/meetdocs/2009_2014/documents/agri/pr/857/857600/857600en.pdf

6.3. This suggests that the Welsh Government needs to adopt a twin track approach:

- arguing for a properly funded Pillar 2 at EU level as well as a Welsh allocation that delivers against existing environmental targets²⁶
- ensuring that the greening of Pillar 1 provides an environmental safety net in the event that the European/national budget settlements result in the under funding of the Wales RDP.

6.4. Ensuring that Wales is able to input to the formulation of the Commission's delegated acts and the implementing regulations will be just as important as participating in the negotiations over the existing draft regulations. Modelling of the impacts of various scenarios will be essential to ensure that the Welsh negotiating position is sufficiently robust.

7. CCW proposals for specific amendments to the draft Commission proposals

7.1. In suggesting amendments that could eliminate the damaging impacts likely to arise from the draft Regulations as currently worded, it is essential to avoid creating new, and as yet unrecognised, perverse effects. Subject to ongoing work on the implications of the P1 greening measures, CCW wishes to put forward the following suggestions in respect of the Direct Payments Regulation:

- In relation to Article 29.3 (exemptions from the greening measures as applied to land designated as Natura 2000 sites) a parallel exemption should also be established in relation to all national statutory conservation designations;
- In relation to Article 29.4 (exemptions from the greening measures as applied to organic farming) a parallel exemption should also be established in relation to "*all participants in whole farm agri environmental schemes that are certified as being sufficiently robust by the European Commission*". Details of all schemes (demonstrating how they ensure that participants are required to deliver at least the minimum requirements under the greening measures) could be submitted on a case by case programme basis for agreement with the Commission.
- In relation to the crop diversification measure (Article 30), the threshold should be increased from 3ha to 10ha. (Further consideration could also be given to applying a threshold based of the % of the farm covered by an arable rotation);
- In relation to the permanent pasture measure (Article 31), the reference area should be based on "*the situation existing as on 12th October 2011*" rather than the start of claim year 2014;
- In relation to the definition of permanent pasture set out in Article 4, this should be based on safeguarding those areas of grassland which are of greatest value for biodiversity and carbon sequestration. As a fall back position, in the event that

²⁶ Wales Environment Strategy SSSI targets; GHG emissions reduction of 3% per year in areas of devolved competence; Water Framework Directive deadlines

insufficient data is available at EU level, the Welsh Government could argue for the definition to be restricted to “*land that has not been included in the crop rotation of the holding for the last ten years*”;

- In relation to Article 32.1, the wording should be amended to include the following text in square brackets: “*Farmers shall ensure that at least 7 % of their eligible hectares as defined in Article 25(2), excluding areas under permanent grassland [and other grazeable areas of a permanent nature] is ecological focus area such asetc*”. Alternatively a new form of wording could be used to make clear that the EFA provisions only apply to arable land and temporary grassland.
- As regards the application of the basic payment scheme, it will be necessary to clarify the reference in Article 20 (1) to the definition of “regions”. In particular, the Welsh Government needs to be able to establish a range of sub-regions within which basic payments can be varied in relation to the nature of the land and the types of farming being carried out;
- The provisions applicable to the Small Farmers Scheme (Articles 47 -50) should be amended to ensure this can be applied at the discretion of Member States/Regions rather than being mandatory;
- In the event that the Small Farmers Scheme remains mandatory, Member States/Regions should be allowed to define the entry criteria to ensure that they are relevant to the territory concerned;
- Article 47 should be amended to ensure that the cross compliance requirements continue to apply to all participants in the Small Farmers Scheme with the greening measures being applied to all farms in excess of a specified size threshold;

7.2. In relation to paragraph 28 of the preamble to the draft Rural Development Regulation, (*confirming that Member States/Regions should maintain existing levels of agri-environmental & climate commitments as well as ensuring that all RDP's allocate a minimum of 25% of the EAFRD contribution to the delivery of land management measures*) a parallel commitment should be inserted into Article 65 of the same Regulation.

ANNEX 1

Some specific considerations regarding Ecological Focus Areas

- Would buffer strips have to be fenced?
 - Would buffer strips require farmers to avoid the use of FYM and pesticides as well as NPK?
 - Could less intensive arable crops such as unsprayed cereals & overwintered stubbles qualify as part of an EFA along with fallow?
 - Could game cover crops qualify as part of an EFA along with fallow?
 - If a % of the farm is in organic management, could this count towards the EFA requirement or does it provide exemption for the whole/part farm under Article 29(4)?
 - Could simple and enhanced hedgerow management (Glastir options 4, 4B and 5) count towards the EFA requirement (if so, presumably the area of such hedges should be given a higher weighting than hedges without such a requirement attached?).
 - What is the definition of “landscape features” and could this extend to a 5m wide strip straddling a PROW (cf the English cross compliance requirement)
 - Could compliance with resource management plans or livestock extensification measures in relation to wetlands qualify as part of an EFA?
-



Views on the Common Agricultural Policy Proposals for 2014-2020

Ymddiriedolaeth Genedlaethol
National Trust - Cymru

November 2011

As an organisation with a direct interest in 200,000 ha of farmland across Wales¹, England and Northern Ireland, the National Trust is concerned that the CAP proposals could fail to balance food security with environmental security, and risk jeopardising funding that directly supports the conservation of wildlife, natural resources and cultural heritage across the farmed landscape.

The proposal clearly states that: *“the future CAP will be [...] a policy of strategic importance for food security, the environment and territorial balance ... Therein lies the EU added value of a truly common policy that makes the most efficient use of limited budgetary resources in maintaining sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States, while also allowing flexibility in implementation to cater for local needs”* (Explanatory Memorandum, p.3, Direct Payments Regulation).

The Trust welcomes this statement of intent, but the proposals, as written, appear to significantly over-estimate their ability in making this a reality. We welcome the European Commission's ambition to 'green' the CAP but believe the proposals fall short of achieving this aim, not least because they are not significantly forward thinking, fail to recognise the need to better integrate the environmental objectives of both Pillars 1 and 2 and do not go far enough to make the first Pillar deliver for the wider public good. We were hoping to see proposals that delivered much more for natural resources underpinning the farmed environment, preparing us for an uncertain future of climate and food insecurity.

Our initial views on the proposals can be summarised as follows:

- **Greening measures:** Whilst the principle is broadly welcomed, the proposed package of measures to legitimize direct payments is unlikely to achieve significant environmental benefits and could, in their present form, undermine more advanced, multi-annual farm conservation efforts under rural development programmes. Both Pillars 1 and 2 need to be much more complementary in their design if future public support is to be maintained. Efforts to 'green' farmers direct payments must therefore deliver or 'buy' genuine outcomes for the environment and not undermine 'added-value' agri-environment schemes that encourage farmers to manage their land in environmentally beneficial ways. We therefore believe that the greening measures as proposed need to be revised but the overall approach should evolve into a more sophisticated system in due course. On this basis, it should be a requirement that all farms meet the provisions of these measures from the outset, including organic agriculture and small holdings, to avoid being disadvantaged by any future system.
- **Active farmer:** We support proposals to ensure that direct payments are targeted at businesses genuinely involved in farming activity, however the proposals as written will have serious unintended consequences and capture charities and other organisations like the National Trust who have at the heart of their constitutional purpose the conservation of wildlife

¹ Trust owns 50,000 hectares of land in Wales and one fifth of the coastline (140km) which we manage for the benefit of the nation. The majority of this land is farmed, either by the Trust or by one of our 200+ tenants

and the protection of the countryside for the wider public good. We realise it is not the intention of the proposals to penalise such types of organisations and hope this can be resolved. More fundamentally, the proposal to re-define eligible applicants through a new clause requiring a minimum of 5% direct payment income of the total receipts obtained from all non-agricultural activities will lead to significant bureaucracy involving submission of trading accounts for every applicant with diversified businesses claiming over €5,000.

- **Capping:** We recognise that this measure has been designed to ensure any income support to an individual farming business is not excessive. However, the way in which the proposals have been written will have unintended consequences for organisations like the National Trust which has over 350 subsidiary agricultural sites covering some 20,000 hectares but which under EU law is recognised as a single claimant. We will be discussing this with the European Commission to resolve the unintended consequences of this proposal.

Specific recommendations based on the current proposals include:

Permanent grassland – We have a number of concerns around this measure. Firstly, the baseline year should be set based on current or previous agricultural land use designations to discourage pre-emptive cultivation. Secondly, there is no distinction between permanent pasture of high environmental value and improved grassland that has been established for over 5 years. If 5% of a farm's permanent pasture is to be allowed to be cultivated annually, a measure is required to identify and protect high nature value grassland for example by strengthening current environmental impact assessment legislation. Thirdly, consideration should be given to a derogation permitting cultivation of improved permanent grassland of low nature conservation value to re-establish rotational farming systems that deliver a net environmental gain; this could be achieved by satisfying an environmental impact assessment or via an appropriate agri-environment scheme.

Ecological focus areas – On the issues of additionality and overlap with Good Agricultural and Environmental Condition (GAEC) Standards and Glastir, it is not clear how such a measure will impact on future cross compliance requirements and Glastir commitments that run into the next programming period and the design and uptake of the All-Wales Element. Further clarity is required here.

Crop diversification – We foresee difficulties with demanding mixed cropping on very small areas and would recommend raising the minimum area from 3.0 ha to a more practical threshold, for example 50ha. In marginal areas of Wales with mixed farming systems, farms with say 4ha of spring oats or barley will be discouraged to sow home grown crops by this measure, an unintentional result with implications of flora and birdlife.

- **Flexibility between pillars:** There should be no flexibility to move funds from Pillar 2 to Pillar 1 and the ability to shift up to 10% of Pillar 1 to Pillar 2 should not only be retained but increased significantly to compensate for a reduced rural development budget and increased competition for resources that would otherwise compromise the objectives and existing commitments of Glastir and other schemes across Wales, the UK and Europe.
- **Less Favoured Area:** Upland farms, of all sizes, can deliver a range of environmental goods such as storage of carbon within soils, clean drinking water, an ability to help control flooding, access for recreation, conservation of important habitats and wildlife, and some of our finest landscapes. Future investment in the LFA – as with all CAP payments - should be based on the premise of rewarding positive management. Remuneration packages will need to be well thought through (including both area and capital incentives) to be successful in delivering the types of management required. The Trust believes future support should be clearly linked to the delivery of public benefits, with payments rewarding the uplands for the vital services they provide for society, rather than compensating them for agricultural production to which they are not well suited.

- **Simplification of cross compliance:** New measures to encourage soil organic matter and protect wetlands and carbon rich grasslands are to be welcomed, but moves to simplify standards and requirements should be exercised in a way that does not weaken the baseline for good agricultural and environmental practice. It is essential that we retain a robust environmental baseline that farmers have to meet in order to receive their farm payments. It should therefore not be the case that small farmers or any other group face less stringent requirements.
- **Rural development:** We are broadly happy with the proposals for Pillar 2, not least the intention to retain a minimum spend for agri-environment schemes and that the role of such schemes has been duly recognised by way of two of the six policy priorities. We are also supportive of the principle to introduce greater flexibility, joint contracts and increased training and information for farmers in relation to such schemes. The Trust believes that rural development programmes will be fundamental in achieving the sustainable management of natural resources and supporting the shift towards a low carbon economy, two key policy priorities of the reform proposals.
- **Funding:** The overall EU budget for Pillar 2 rural development should be protected from cuts and a fair deal secured for the UK, especially a good Pillar 2 allocation based on an objective assessment of need and current spending commitment. The EU should recognise and reward the progressive nature of sustainable farming and land management in countries such as the UK, where up to 80% of our Pillar 2 allocation is currently spent on agri-environment schemes.

Notes:

The National Trust was founded in 1895 to care for places of historic interest or natural beauty. In Wales it cares for over 50,000 hectares of countryside, 196 miles of coastline as well as some of the finest castles and gardens. The Trust is the largest conservation organisation in Europe, supported by 4 million members, over 100,000 of whom live in Wales. As a charity it relies on membership subscriptions, gifts and other voluntary support to meet its £148 m annual conservation and maintenance costs. The Trust's properties have unique legal protection "inalienability" – they cannot ever be sold or mortgaged without permission of Parliament



The European Commission's proposals for reform of the Common Agricultural Policy:

*Response from the Royal Society for the Protection of Birds Cymru
November 2011*

Introduction

The RSPB is Europe's largest wildlife charity with over one million members, over 50,000 of them living in Wales. The Society manages one of the largest conservation estates in the UK, covering more than 100,000 hectares; 19,000 of these in Wales. We protect and enhance habitats such as upland and lowland farmland, heather moorland, coastal heath, wet grassland, estuaries and reed beds, and our reserves help to protect many rare and threatened birds.

The RSPB is the UK partner of BirdLife International, which is a global Partnership of non-governmental conservation organisations. BirdLife International strives to conserve birds, habitats and global biodiversity, working with people towards sustainability in the use of natural resources. The RSPB works closely with our BirdLife partners on EU agriculture policy issues.

The RSPB's vision is for sustainable systems of farming that produce adequate supplies of safe, healthy food; protect the natural resources of soil, air and water that farming depends on; help to protect and enhance wildlife and habitats; provide jobs in rural areas and contribute to a diverse rural economy.

RSPB Cymru welcomes the opportunity to comment on the CAP reform proposals released by the European Commission in October 2011

Background

As a result of unsustainable land management driven by poorly conceived and outdated policies the Welsh environment is under significant pressure. This is evidenced by ongoing biodiversity declines, soil degradation and poor water quality. Diversity and populations of farmland and woodland birds have declined markedly since records began in 1994 and 67% of Welsh water bodies are failing required standards, with agricultural pollution a significant contributor. Wales is not alone in experiencing widespread environmental degradation and as a result the European Commission has established a number of environmental objectives, including halting biodiversity decline, improving water quality and reducing Green House Gas emissions by 2020. We will not be able to achieve this, or meet the ambitions set out in the Commission's 'Europe 2020' strategy for smart, sustainable and inclusive growth, without the help of the CAP.

By promoting thriving wildlife, clean water supplies and healthy, productive soils the CAP could be instrumental in helping farmers to tackle these problems for the benefit of all of society. However, the policy is falling well short of its potential with the vast majority of funds channelled through direct payments with no clear objective. Given extensive environmental failings the argument that cross compliance is an effective means of safeguarding environmental security is clearly overstated. Each member of Welsh society pays an average of £100 a year to finance the CAP. Being public money this investment should deliver clear public benefits, but this is not currently the case.

In Wales it is generally the less intensive farms, normally found within areas of natural constraints that deliver the highest levels of environmental benefit. However, because direct payments are linked to historically high levels of production these farms tend to receive lower levels of CAP support. Agri-environment payments only partially compensate for this bias, not least because agri-environment spending represents just 8% of the CAP budget. This imbalance must be addressed in order to ensure that those farmers delivering society's environmental needs are fully rewarded.

The argument that a move towards a policy that rewards sustainable land management will compromise our ability to produce food and that, with a growing global population food security should remain central to the CAP is poorly made. Rather than volume global food security is an issue of income and wealth inequality, both within and between countries, and of food distribution and access. The duty of Welsh farming should not be to maximise food output, but to produce quality products within environmentally sustainable limits. By rewarding farmers for protecting and enhancing the natural resource base, a reformed CAP can help secure our long-term ability to produce food. The market should be viewed as the means by which farmers receive payment for food production.

The Welsh Government has recently commenced work towards developing a New Environmental Framework (NEF) with the aim "to ensure Wales has increasingly resilient and diverse ecosystems managed to optimise economic, environmental and social benefits". If Wales is to achieve this ambition the Welsh Government's must seek a reformed CAP that will deliver true environmental security, including halting biodiversity decline. The following comment on the EU proposals is presented within this context, and also the understanding that Welsh Government has an obligation to address environmental degradation and that Welsh society has a legitimate expectation that public money should be used to reward farmers for the provision of public environmental goods and services.

Wales must work closely with the other devolved countries within the UK in order to present a strong, unified position on CAP. However, in order to benefit our particular environment direct involvement with the European Commission will almost certainly be required if we are to gain maximum flexibility when implementation reform. It is also vitally important that when engaging stakeholders this process includes all potential beneficiaries of CAP reform and not just the sectors set to gain direct financial benefit.

PILLAR 1

Capping of large payments

The proposal that any capped money should be transferred into the Pillar II budget of the Member State where it was generated is welcomed provided that this money is used to contribute to environmental enhancement, including halting biodiversity declines. However, we believe that capping of payments as presented will be bureaucratic and unworkable as many recipients would simply split their holdings to

avoid the effects. The fact that the *greening* payment is exempt capping is positive as it reflects the Commission's acceptance that payments linked to environmental delivery should not be restricted.

Targeting of payments to active farmers

The current definition of active farmer is designed to ensure that only those land managers actively engaged in a defined minimum level of agricultural activity receive support. It is important that the final definition does not have an adverse effect on those farmers who have diversified, possibly supported by Rural Development funding or who manage their holdings extensively where environmental benefit may be the prime outcome.

Distribution of direct payments between farmers

Payments based on historically high levels of production can not be justified in terms of public expenditure and provide little incentive for the development of a competitive industry. As such RSPB Cymru strongly supports a move to a uniform flat rate payment. This approach, in general will move support from more productive regions and sectors, i.e. those best placed to respond to and operate in a competitive market, to farming systems found within areas of natural constraints. This has the potential to generate much needed support for extensive farming systems, which if properly targeted could secure and enhance delivery of a wide range of public environmental goods and services. It is important that this shift of support is achieved over a period of time that adequately enables those sectors affected to respond.

However, this benefit would be negated if a regionalised approach, based on economic and agronomic criteria, was taken designed to create administrative regions where previously they did not exist designed to ensure that the more productive areas continue to receive higher flat rate payments. This approach should be resisted as it will simply lead to *business as usual* with no net environmental gain and the perpetuation of a support reliant industry with little incentive to respond to the market.

Support for young farmers (compulsory)

While RSPB Cymru is supportive of actions designed to encourage young farmers into the industry the environmental credentials of this payment are limited. As a minimum it should be conditional on respect of both [meaningful] greening and cross compliance requirements. As this payment will be targeted at both initial business set up and structural adjustment of holdings there is a risk that it may lead to further intensification of farming practice and increased environmental pressure. As additional business start up aid for young farmers is also available under Pillar 2, there is the question of double funding that needs resolving.

Support for small farmers (compulsory)

The definition provided by the Commission suggesting that any farmer, regardless of size could enter the scheme and for a reduced payment be exempt from greening requirements and cross compliance is very worrying. This has the potential to encompass a significant amount of Welsh agricultural land and have considerable negative consequences for environmental quality and animal welfare. In the absence of [any] environmental credentials RSPB Cymru strongly urges the Welsh Government not to endorse this proposal.

Coupled support (voluntary)

Although coupled support is a retrograde step, and despite the fact that the proposal is suggesting even more crops/sectors can be supported if suitably utilised such a *tool* could be a useful means of support

extensive farming systems to deliver environmental gains. However, the danger exists that it will be used to make up lost income in productive sectors affected by the move to area based payments. As there is no possible justification for using public money in this way this approach should not be considered.

Cross compliance

The Commission's proposal for a new framework for cross compliance arranged into thematic areas may be a positive development if it makes Cross Compliance easier to understand and communicate. The inclusion of *possible measures for avoiding invasive species and pests* is a positive step forward but should be mandatory given the negative environmental and economic impacts of invasive alien species e.g. rhododendron, himalayan balsam.

The exemption from cross compliance to those participating in the small farmer scheme is of significant concern. Also of concern is the loss of elements from the Birds and Habitats Directives and whilst farmers will still have to legally respect them the financial incentive to do so that CAP provided will be gone. However, inclusion of requirements relating to the Water Framework Directive and Sustainable Use of Pesticides Directive are welcomed.

The removal of protection for grasslands (as this will be covered by the greening payment) is potentially very worrying as farmers may be able to opt out of the greening element of CAP payments if the requirements are too onerous.

Modulation

Given the UK's historically poor Pillar 2 allocation the ability to make up to 10% of Pillar 1 payments available as additional support for measures under the Rural Development Programme is extremely positive and RSPB Cymru strongly urges the Welsh Government to adopt this action. In the past agri-environment delivery has been dependant on modulation and has helped support thousands of farmers in Wales to farm their land in ways that benefit wildlife and the wider environment. The option to reverse modulate represents a huge backwards step and would make it impossible for Wales to fulfil its environmental obligations. As such the option to move support from Pillar 2 to Pillar 1 should not be considered.

Greening of Pillar 1 CAP proposals

While the proposal that 30% of the Pillar 1 budget will be used as a *payment for agricultural practises beneficial for the climate and the environment* sounds positive in reality the requirements, as presented, will deliver very little additional benefit when considered within a Welsh context.

The Permanent Grassland *practise* fails to distinguish ecologically valuable permanent grassland from grasslands that are regularly reseeded. As such farmers could receive a *green* payment for temporary leys that continue to be regularly reseeded and offer little if any meaningful environmental benefits. In order to legitimise this payment the definition of permanent grassland must have a sound ecological base. This would then enable support to be directed towards farming systems incorporating ecologically valuable grasslands [and heathlands] that as well as being important for wildlife are vital for the delivery of other environmental goods and services such as the management of water and carbon.

A further drawback in including all non arable grasslands within Permanent Grassland is the 5% limit on conversion from pasture to arable. Welsh farms have become increasingly less diverse over the preceding decades with the result that much of our wildlife that depends on mixed farming is in decline. To address these declines Agri-environment Schemes offer incentives to farmers to manage a proportion of

their agriculturally improved pasture as environmentally beneficial arable options. The ability to adequately deploy these options must be secured.

The Ecological Focus Area *practise* only applies to 7% of eligible arable land, and whilst this may deliver benefits in areas with a significant arable sector within Wales, due to the very small amount of arable land the positive impact of this practise will be very limited. The same applies to the Crop Diversification *practise*. For *greening* measures to deliver real benefits within predominantly pastoral systems such as those found in Wales they (Ecological Focus Area in particular) must be equally applicable to all farming system, and not just arable.

The rational that the proposals will deliver little benefit in Wales because our environment is already in good condition ignores the evidence of environmental degradation. Welsh Government must argue for genuine greening measures within Pillar I specifically designed to tackle Welsh environmental challenges.

High Nature Value (HNV) farming

That the proposal is virtually silent on the issue of support for HNV farms is of significant concern. HNV farming systems, generally found within areas of natural constraints are vital for maintaining and providing environmental goods and services. These farms typically support diverse habitats and species and the way that they are managed has significant implications for carbon and water. Changes to the way Pillar I payments are distributed within MS and a new payment for areas with specific natural constraints may provide an important source of new funding to these areas that are often synonymous with HNV farming but only if they are utilised in a targeted way. Welsh Government should seek to establish mechanisms within Pillar that support for HNV farming systems in Wales as an obvious way of preserving extensive livestock farming systems in the more environmentally challenging parts of the country.

To be successful, the new Pillar 1 measures will need to work coherently with agri-environment schemes to enable targeting of management requirements to specific situations.

PILLAR 2

Loss of the Axis structure and associated minimum spending requirements

The reinstatement of the minimum spend requirement for environmental measures is extremely positive but must be clearly identified as mandatory. Having moved away from Tir Mynydd the inclusion of *payments for facing natural or other specific constraints* must not be seen as an opportunity to introduce an LFA type payment, with no tangible environmental objectives or benefits.

The move away from the Axis structure towards an integrated set of priorities, objectives and targets, which now contains specific reference to restoring **and** preserving biodiversity, has the potential to improve delivery efficiency of the Rural Development Programme provided that it is subject to a robust and meaningful programme of monitoring and evaluation.

The UK's Pillar 2 allocation has historically been very low, however an objective based distribution has the potential to work in Wales' favour provided that all aspects of delivery are shown to contribute in full to the RDPs cross-cutting priorities and also that the Commission takes into account what Wales has actually spent on Pillar 2, through the use of voluntary modulation.

Agri-environment

Agri-environment Schemes are an invaluable way of rewarding farmers who manage their land in ways that benefit wildlife and the wider environment. This vital function has been recognised by the retention of agri-environment, which has been re-branded as agri-environment-climate, as a compulsory part of RDP. The inclusion of *climate* reflecting the increasingly high priority that is being placed on the need to tackle climate change and the crucial role that farmers will play.

The provision to allow payments to include transaction costs up to 20% of the agri-environment premium is very positive as it will increase the rewards for wildlife friendly farmers participating in schemes. The 30% increase for group agreements is a significant development as this has the potential to result in collaborative agreements delivering benefits at a landscape scale. This is very much in line with Welsh Government's developing environmental policy as expounded by the Natural Environment Framework.

It remains to be seen what impact the greening of Pillar I will have on agri-environment. However, there will almost certainly be a requirement to transfer of agri-environment measures from Pillar II to I. Funds freed up from this process should be used for more targeted and ambitious measures under Pillar II. This presents an opportunity to create more effective and targeted schemes, and increase resources for existing schemes (such as the Targeted Element of Glastir) in order to fulfil biodiversity obligations.

Natura 2000 and Water Framework Directive payments (WFD)

The ongoing inclusion of Natura 2000 payments within the proposals is welcome, as this has the potential to improve the condition of our most valuable wildlife sites by rewarding farmers for appropriate management. Many of these sites are found within areas of environmental constraint and have wider environmental value (water, carbon). This payment should be made available to all land managers within [European] protected sites on condition of specific management prescriptions and/or delivery of [protected sites] management plan objectives.

With regards to support designed to underpin deliver of Water Framework Directive objectives action linked to the RDP should go beyond mandatory requirements.

Risk Management

Arguably, the most questionable use of public funds in the proposals is that pertaining to risk management. Not only would this measure support farmers to cover crop insurance premiums (something that should be covered by the business), it would also pay for mutual funds which would pay compensation to farmers in the event of a disease outbreak or 'environmental incident'. There would also be an income stabilisation tool which would provide financial assistance to farmers facing a severe drop in their incomes. These all combine to provide a disincentive for farmers to address risk properly as part of their business and represent an extremely poor use of public money.

**Common Agriculture Policy Task and Finish Group
CAP(4)-3-11 Paper 5**



To: The Environment and Sustainability Committee, Welsh Assembly – Common Agricultural Policy Task and Finish Group

From: Farming & Wildlife Advisory Group (FWAG) Wales (Cymru)

Topic: Proposed Reform of Common Agricultural Policy

The Farming & Wildlife Advisory Group (FWAG) Cymru are pleased to respond to the European Commission's proposals for the reform of the Common Agricultural Policy (CAP)' commenting on how the organisation perceives they may affect Wales and Welsh agriculture. We are aware, of course, that the proposals are intended to be universally adopted across Member States and will be determined by co-decision.

FWAG Cymru works with farmers and landowners to deliver best farm practices and to enhance the wildlife opportunities on farms and estates. The

organisations encourages, supports, guides and inspires farmers as they combine commercial agricultural production with sound environmental management. It has a membership of over 700 farmers including over 80 within its premier membership category, FWAG Cyntaf. It is a charitable trust with steering committees comprising farmers and representatives from partner organisations from both the farming and conservation industries.

We note that one of the key elements of the proposals as initially suggested is a 30% “Greening” element that farmers will need to adhere to in order for them to draw down their full entitlements.

In essence, FWAG Cymru does not object to this greening, element as it should contribute towards securing a robust eco-system. However, it has grave concerns about the over-emphasis or perceived over-emphasis (this dependent on the detail of the definition of the proposed “greening”) on greening and the environment within the proposals. FWAG Cymru has worked tirelessly with the farming industry to ensure that farmers are supported, guided and inspired as they combine a high standard of agricultural production with sound environmental management. The farming industry has recognised its role and responsibility within the environmental realm, and FWAG Cymru is determined that this is further developed and encouraged. There is every danger that without careful management and attention to detail of the greening elements, that the proposals will manage to alienate the industry, so giving little hope of the momentum created to be developed.

It will be appreciated by the group that the way Glastir was structured and presented to farmers with an emphasis on the options which had to be undertaken on agriculturally improved land had a massive negative impact on farmers’ perception of agri-environment schemes and the entire field of environmental management. They were understandably angry, perplexed and confused by the conflicting messages – on the one hand, use your agriculturally improved land to maximise agricultural production, on the other the majority of Glastir active options had to be undertaken on improved land, so taking it out of agricultural production. The only explanation that can be given to this emphasis in Glastir is the current requirement to base agri-environment payments on profits foregone and the cost of any capital works such as fencing – this particular basis for payments

seems to be the crux of the problems in setting up a workable, effective, agri-environment scheme. FWAG Cymru would welcome a move to a value being put on a wildlife, landscape, historical or habitat feature with no reference to the loss of production. A value needs to be put on, for example, a mature oak tree or a two acre species rich bog – is the tree worth £5 per year or £150 per year to the nation if managed correctly for its wildlife, carbon sequestration, landscape & historic value?

We welcome the recognition that organic farmers contribute to greening through their farming systems, and further suggest that many conventional farmers do so too albeit perhaps generally to a lesser degree – a scaling up to the 30% could be applied with farms assessed for their contribution to greening.

The detail of the CAP proposals may affect farmer response to the adaptation of the reforms vis:

- 1) **Ecological Focus Areas (EFA).** FWAG Cymru are pleased that the commission wishes to implement some basic protection of the landscape and wildlife through these proposals. However, the proposals suggest that all farms will need to have at least 7% of their declared area to encompass EFA. The UK, and especially Wales, has a long and noble history of adopting agri-environment schemes going back over 30 years. We note that the qualifying criteria for the Welsh Government's Tir Cynnal scheme was 5% or more of habitat and we suggest that this is a more appropriate figure.

FWAG Cymru suggests that gauging a farm's ecological contribution on the basis of a straight percentage of the farm covered with habitat or landscape features is too simplistic. Careful consideration needs to be given to the way the ecological focus areas are measured and FWAG Cymru suggests that some weighting will be useful. A well-managed small pond, brimming with aquatic life may contribute little to the percentage cover of habitat features on a farm, but make a huge contribution ecologically.

We are very concerned that if EFAs are additional to any land already entered into agri-environment schemes (or any other environmental grant schemes), this will materially affect:

- (a) Glastir – Farmers may not wish to enter into a Glastir All Wales Element (AWE) agreement if it means taking an additional 7% of land over and above any options selected into EFA. This may affect uptake of this scheme.
 - (b) Glastir Woodland Creation and Glastir Woodland Management Schemes. As (a) above.
 - (c) Glastir Targeted Element. As (a) above.
 - (d) Further, some of the proposals such as the multi-cropping one (as detailed below) may materially affect Glastir options resulting in more reforms of this scheme.
 - (e) Food Security. It seems to FWAG Cymru that there should not be an emphasis to remove potentially productive land from producing food. FWAG Cymru welcomes making the criteria for EFAs as wide as possible. In Wales, the most intensive farms are likely to be dairy units and FWAG Cymru suggests that the Welsh Government should ensure that EFA criteria includes such qualifying features as hedgerows, protected ponds and field tree canopies. Further, scrub and indeed bracken banks should legitimately qualify as “Landscape Features” as these areas are useful repositories for a host of creatures and often frame the Welsh landscape in any case.
- 2) 3 Hectare rule. Under the proposals, it is suggested that farms growing more than 3ha of arable crops would need a diversity of a minimum of 3 different crops of which one cannot exceed 70% and none less than 5%. FWAG Cymru understands that this rule has been proposed to break the cycle of monoculture but we feel that the figure of 3ha (7.5 acres) is ludicrously low when consideration is given to the size of individual UK farm units in comparison with other European countries. Further, this rule will greatly impinge on dairy farmers growing maize & short term leys only. There is also likely to be great impacts on farmers taking arable options under Glastir where, in order to secure points over threshold levels, in excess of 3ha of roots may

have been selected and now these farmers will have to seek alternative crops to the detriment of their farming businesses.

We feel that the UK as a whole should seek a derogation to increase the trigger threshold for the 3 crop rule to at minimum of 15ha. This would allow grassland farmers to diversify their farms with small scale arable cropping.

- 3) **95% Permanent Pasture.** FWAG Cymru welcomes the intention to retain as much permanent pasture as possible as this is an invaluable resource for carbon storage, water management and is important for soil health. However, there needs to be enough flexibility to allow farmers to be as self sufficient in crops as possible and to encourage the uptake of the arable options under agri-environment schemes for the benefit of food production, sustainability and wildlife.

Minimum tillage methods should be encouraged where appropriate and consideration should be given to grassland leys on a very long rotation – perhaps 10–15 years between ploughing.

We are concerned about how this will be monitored without adding to the bureaucratic & regulatory burden imposed on farmers.

FWAG Cymru also notes that there are three voluntary elements to the proposals that the Welsh Government, if it was so minded, can adopt. We would be supportive of the Welsh Government seeking to trigger these options. They are:

- A) **Areas of Natural Constraint (ANC).** We note that up to 5% of the national (Welsh) ceiling can be taken off to provide for additional payments to ANCs. We recognise that there are significant areas of Wales that are difficult to manage. We suggest that farmers and land managers, with their stock management skills, are best placed to deliver enhanced biodiversity benefits to these areas and we would support the Welsh Government in providing additional payments to farmers meeting agreed targets for those aims.

- B) **Recoupling.** FWAG Cymru notes that there is provision for allocating up to 10% of the national (Welsh) ceiling to recoupling. We would be strongly supportive of this provision if it was targeted at encouraging a diversity of livestock in the marginal areas or where an industry sector is been unfairly disadvantaged. For example, the Welsh Government may wish to consider supporting suckler cows in the uplands, the small dairy producer or the beleaguered Welsh pig industry even if on a temporary basis. By undertaking such actions, the Welsh Government can be seen to be maintaining farm structures.
- C) **Pillar Two.** FWAG Cymru notes that compulsory modulation will cease but that there is provision to add a further 5% into pillar two for use in rural development. FWAG Cymru would encourage the Welsh Government to make use of this provision to support Glastir and rural communities with strong cultural ties to the betterment of the country as a whole.

Although beyond our specific environmental remit, FWAG Cymru are keen to see that the proposals encourage and support young farmers providing a sound base for future generations of people with skills in stockmanship, crop production and environmental management. We would also encourage the Welsh Government to reduce the burden of “red tape” as much as possible on the farming community and to ensure that the CAP reforms do not unnecessarily add to this burden.

Finally in these times of shifting emphasis on all farms to environmental sustainable farming practices it is vital that on-farm support in the form of advice is provided. FWAG Cymru will be delighted to continue to assist with this, and ideally at least partially through the Welsh Government’s Farming Connect programme.

ENDS



Soil Association response to the Environment and Sustainability Committee Common Agricultural Policy Task and Finish Group Inquiry into Reform of the Common Agricultural Policy

November 2011

1. Introduction

This response is made on behalf of the Soil Association and produced by its policy department. The Soil Association is the main organisation for organic food and farming in the UK, and is a membership charity with over 27,000 members including approximately 4000 farmer members. The Soil Association also owns an accredited organic certification company.

Nb. This response focuses on the details of the legislative proposals as they relate organic farming which is the Soil Association's area of expertise.

2. A brief overview of organic farming in Wales

The area of organically managed land stood at 124,681 ha at the end of 2010. Most is fully organic with only 5,099 ha in conversion. This represents just over 8% of the agricultural land area¹. The Soil Association certifies around 30,800 Ha of this land. Organic Centre Wales estimates that Welsh producers sold about 65,000 organic lambs and 3,900 organic cattle in 2010.

3. Summary of the Soil Association's response to the CAP legislative proposals

The Soil Association supports the European Commissioner's strong focus on stimulating employment in farming (in the UK organic farming generally creates over 70% more jobs), and on greening the CAP. The EU Audit Commission has recognised that there is clear scientific evidence of the environmental benefits of organic farming.

We support the compulsory 30% allocation of Pillar 1 payments to benefit the climate and the environment. We welcome the decision that certified organic farmers will be automatically eligible for this payment, without additional requirements, because, in the Commission's words "they are shown to provide clear ecological benefit".

In the Rural Development element, Pillar 2, the "new separate measure" for organic farming, designed to give organic farming "greater visibility", is particularly important for UK organic farmers, as we currently receive lower Pillar

¹ Soil Association Organic Market report 2011

2 payments in the UK than in any other EU Member State. We expect this new proposal from the European Commission to deliver a degree of fairness to British organic farmers, with a more level playing field with competitors in other EU countries than they currently enjoy'. We would, however, like to see greater clarity from the Commission about what Member States will be expected to deliver through this 'new separate measure'. We are also anxious that the innovative role of organic farming is recognised through strong involvement in the new Innovation Partnership in Pillar 2.

We recognise that there is potential for there to be major changes to the proposals as they stand and would request that the Welsh Assembly take into consideration a number of details of the legislative proposals which require change which relate to organic farming. The details and the rationale for these recommendations are detailed in section 5 below.

4. An overview of the Soil Association's general position on the Common Agricultural policy and its reform

Only a small share of the €53 billion CAP budget is currently targeted at clear public policy objectives. Our view is that the whole budget should support clear and targeted measures.

At the moment the CAP does not sufficiently encourage farmers to shift towards genuinely sustainable food production (without reliance on fossil fuels, pesticides, imported animal feed and mined phosphorus) or to adopt land management practices that meet the real challenges of the future: climate change, improving water resources, recovering biodiversity and guaranteeing long-term capacity for healthy, secure food production.

Reform is needed to bring the CAP in line with the EU Budget Heading under which it falls: "Preservation and management of natural resources".

The Soil Association believes that the CAP post-2013 should support agricultural practices that use natural resources in a rational way:

Water: no depletion or pollution of ground water, no use of river water that leaves rivers running low, and no pollution of rivers
Soil: conservation and improvement, not degradation
Wildlife on farms: conservation and enhancement, not decline
Landscape: conservation and positive changes to increase diversity, not destruction of valued landscape features like hedges
Climate: encourage farming practices that store carbon in soils and that rely on renewable fertility and energy, not fossil-fuel based fertility
No use of any persistent, bio-accumulative, hormone disrupting pesticides
Highest standards of farm animal welfare.

We believe that organic farming can play a key role in delivering the numerous public goods which EU citizens expect as part of the farm business. As a system, organic farming can deliver all (or almost all) of the above objectives much more efficiently than an approach which relies on a myriad of policy interventions which attempt achieve each one separately.

The compliance costs (inspection and certification) are already effectively met by organic farmers and growers – not taxpayers. Finally, the delivery of multiple public goods is also the main driver of every organic farm business.

In contrast, tailor-made specific solutions have serious flaws. Reactionary interventions tend to have high costs of implementation and specific interventions can even work against each other. For example, increasing output of milk per cow to reduce greenhouse gasses will reduce animal welfare.

Piecemeal approaches also increase administration and compliance costs. The CAP should therefore recognise the efficiency of supporting organic farming systems over a policy of inefficient individual interventions which attempt to achieve environmental and social objectives separately.

Organic is currently the only legally defined systems approach to sustainable farming; if the CAP is to achieve real public benefits, some of the public money available should be used to support this farming system.

5. The current legislative proposals as they relate to organic farmers²

We welcome the provisions within the proposals which enhance the status of organic agriculture, but we are concerned that these changes could bring about unintended consequences. For example, member states could use the fact that organic farmers are automatically entitled to the greening payment to not implement or to reduce payments to organic farmers under pillar two.

We are concerned that the current proposals may mean that member states offer differing levels of support to organic farmers. This could lead to trade distortions between and within member states.

While the inclusion of organic farming within the 25% minimum funding requirement for land management and climate measures will help, consideration should be given to making the organic measure (Article 30) compulsory and/or applying the higher co-financing rates foreseen in Article 65(4) of the proposed RDP regulation as a means to achieve greater consistency between programming regions.

6. Recommendations for amendments

The International Federation of Organic Agriculture (IFOAM) EU Group (of which the Soil Association is a member) has developed a number of recommendations to ensure the CAP 2014-2020 would support organic farming³. These include:

- Sufficient funding for the conversion to and maintenance of organic farming must be ensured by strengthening the 2nd pillar budget and by ring-fencing a significant share (50%) of the rural development

² With thanks to Professor Nic Lampkin of the Organic Research Centre for this analysis. For further detail see [http://www.organicresearchcentre.com/?go=Policy and debates&page=CAP reform#organic](http://www.organicresearchcentre.com/?go=Policy%20and%20debates&page=CAP%20reform#organic)

³ Further information on positions taken by the European organic movement can be found at www.ifoam-eu.org/workareas/policy/php/CAP.php

programmes' budget for measures that deliver to environmental objectives such as organic farming.

- Organic farming must be made a mandatory measure under the rural development programmes and should be eligible for 80% EU co-funding.
 - Organic farming should be specifically included as a priority in relevant rural development measures such as advisory services, investments and producer groups. Organic farms should be allowed 20% higher support rate.
- The second pillar budget should increase to at least 50% of total CAP budget before 2020.
 - A more specific point is that the diversity of grasslands must be considered in the permanent grassland definition. Where those areas currently defined as permanent grasslands are in fact land in traditional crop rotations which include 7-10 years of grassland, such land should be eligible for return to a rotation including a grass/legume fodder crop (as per the crop diversification measures).