



Further consultation on European Parliament reports – July 2012 to October 2012

CAP2 6 – RSPB Cymru

Reform of the Common Agricultural Policy

Summary

- **The CAP has the potential to bring significant environmental and social benefits, however current reform proposals risk missing a valuable opportunity to create a more sustainable farming system, where farmers are rewarded for protecting and enhancing the environment, alongside producing food.**
- **Proposals to link 30% of direct payments ('Pillar I') to 'greening' measures could secure environmental benefits across the EU but must be carefully designed if it is to make a positive impact and not simply repackage the status quo.**
- **Agri-environment schemes (AES), which reward farmers for environmentally-friendly farming, must receive a much larger share of the Rural Development ('Pillar II') Budget. Care will need to be taken to ensure greening works coherently with AES.**
- **The CAP must target support to High Nature Value farming systems, which are environmentally rich but often economically marginalised.**
- **At this time of financial hardship, it is vital that the CAP provides good value for money to the taxpayer, with payments clearly linked to the provision of environmental public goods*.**

CAP & the Environment

- The Welsh farmed environment is in crisis. 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.
- The EU 2020 Biodiversity Strategy commits EU Member States to halting biodiversity loss and the degradation of ecosystem services by 2020. For Wales, this is a government commitment under The Environment Strategy for Wales.
- The CAP could hold the key to successfully tackling many environmental problems, helping farmers protect and restore species and natural resources as well as securing the EU's long-term ability to produce food.
- In its present form, the CAP is not meeting this potential. Most funds are channelled through direct payments and whilst farmers must respect cross compliance in return, this approach is extremely inefficient¹ and there are no clear policy objectives attached to such payments. The absence of objectives means a significant proportion of Pillar I funds will subsidise unsustainable practices which undermine the natural environment further². Nor can they be justified on economic or competitiveness grounds³. Each Welsh

¹ Every €1 of environmental benefit generated by cross compliance costs €37.50 in direct payments.

* Environmental public goods are goods which are under-rewarded or not rewarded at all, by the market such as wildlife and healthy soils. Food, on the other hand is a classic example of a private good for which there is a functioning market.

² Usubiaga, A et al (2011) EU Subsidies for polluting and unsustainable practices. Report to the European Parliament

³ Tangermann, S (2011) Direct Payments in the CAP post 2013. Report to the European Parliament

citizen pays about €100 a year to finance the CAP and rightly expects that this will provide clear public benefits, but this is not currently the case.

Distribution of direct payments

- 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 more extensive farming systems, which if properly targeted could secure and enhance delivery of a wide range of public environmental goods and services.

Rural Development

- Pillar II currently receives just 25% of CAP funding and this is not enough to meet the EU's environmental objectives⁴. The situation applies equally to Wales, therefore the means to boost Pillar II funds, for example by transferring the maximum amount of funds possible from Pillar I, must be secured and used.
- Well-designed, implemented and funded agri-environment schemes – which have a demonstrable record of environmental success⁵ and securing wider socio-economic benefits⁶ - must form a key component of the CAP. Such schemes are a vital lifeline for many farming systems, including some of Wales' most environmentally valuable upland farms.
- The proposed 25% minimum spending requirement for the 'agri-environment-climate' measure is neither sufficient in size nor robust in legal terms and is significantly less than Wales currently spends on agri-environment measures. The new Rural Development Regulation must ensure minimum spending for targeted environmental measures, including agri-environment, is increased to at least 50% and is a robust legal requirement for all Member States.
- The proposed Areas facing Natural Constraints (ANC) payment must not simply be an area-based payment with no environmental conditions attached, but instead must explicitly support and maintain farming practices which are beneficial for the environment, e.g. High Nature Value farming systems, typically found throughout much of the Welsh uplands but also present in other [agriculturally] marginal parts of the country.
- There is a clear principle that public money should be used to support the provision of non-marketable public goods – benefits that are accessible to everyone and that provide collective services to society – such as biodiversity, landscapes and natural resources including water and soils. In contrast, public money should not be used to support investments that primarily contribute toward increasing private profit, including many investments in farm businesses or [as currently tabled as amendments] forestry.
- Measures which deliver no wider public benefit or represent a poor use of Pillar II funds should not form part of Pillar II. This applies to the proposed risk management measures and to tabled amendments that would permit Member States to underwrite lease

⁴ Hart K, Baldock D, Tucker G, Allen B, Calatrava J, Black H, Newman S, Baulcomb C, McCracken D, Gantioler S (2011) Costing the Environmental Needs Related to Rural Land Management, Report Prepared for DG Environment, Contract No ENV.F.1/ETU/2010/0019r. Institute for European Environmental Policy, London

⁵ RSPB/BirdLife (2011) Seeds of Success: How agri-environment can yield results for nature and farming

⁶ CCRI (2010) Estimating the Incidental Socio-economic Benefits of Environmental Stewardship Schemes

contracts and make retirement payments to farmers. Measures which are focussed on competitiveness, or farm modernisation must not undermine environmental delivery and therefore safeguards must be in place.

- It is unclear how Pillar I greening requirements will affect the design and payment rates of agri-environment, or what transitional arrangements will exist. This needs to be clarified to prevent a reduction in farmers applying for new schemes or renewing existing agreements.

Greening of Pillar I

- The proposal that 30% of Pillar I support should be linked to new 'greening' requirements could secure environmental improvements across almost all Welsh farmland. 'Greening' the CAP is essential to help improve the environmental performance of the Policy, and justify the significant public investment in it.
- However, the proposals have been widely rejected with Member States [and devolved countries within MS, including Wales] calling for the flexibility to implement their own version of greening, including 'green by definition' status for certain farms types or farms in certification or agri-environment schemes. 'Green by definition' is a clear attempt to maintain the status quo. However, the opportunity does exist to move low environmental value agri-environment options into greening, thus freeing up additional resources in Pillar II, which could generate significant benefit if the additional resources were channelled to more targeted agri-environment schemes. However, given that the majority of EU administrations, including the Welsh Government, do not support this approach, and that most Member States would use 'green by definition', or any other flexible greening approach, to green-wash their Pillar I payments, such flexibility must be rejected.
- Instead, a clear and common framework for greening must be agreed and the individual measures designed to provide genuine benefits. This can be done using the Commission's proposals:
 - *Ecological Focus Areas (EFAs)* have significant potential to deliver biodiversity and resource protection benefits across virtually all farmland. They are not the same as set aside (i.e. land taken out of production) as they include landscape features. It is important that EFAs do not penalise farmers who are already managing land for environmental benefit through agri-environment schemes, but scheme payment rates will need to be adjusted to avoid double-funding. It is important that EFAs, along with the other greening requirements and cross compliance, form the new, and enhanced, environmental baseline that more targeted agri-environment schemes build upon.
 - *Permanent pastures* of high environmental value urgently need proper protection. However, the proposed definition and reference year do not differentiate between pastures of differing environmental benefit and may even incentivise their destruction. Instead, protection, and payment, must be targeted at semi-natural pastures of high environmental value and high input grassland should be subject to the EFA requirement.
 - *Crop diversity* should be replaced with a meaningful crop rotation requirement which would deliver soil benefits and avoid the negative impacts that crop diversification would have on livestock farmers currently growing a small area of cereals and/or wildlife friendly crops.

Young farmers (new entrants)

- RSPB Cymru is concerned that this measure will be targeted at initial business start up and structural adjustment of recently created holdings and therefore may lead to further intensification of farming practices. Support for new entrants to farming, regardless of age (or other defining criteria) must reflect the 'public money for public goods' principle and should therefore include an explicit link to more sustainable production methods. This could be secured through a requirement for all recipients of the Young Farmer (New Entrants) payment to access Farm Advisory Services, and for this advice to help farmers and land managers to adopt the most appropriate and beneficial land management options on their farm.

Active farmer definition

- The proposed 'active farmer' definition, which stipulates that no direct payments will be granted where the annual amount of direct payments is less than 5 % of the total receipts obtained from non-agricultural activities, could exclude many land managers and farmers who are conducting genuine and environmentally beneficial agricultural land management from Pillar I payments.
- CAP payments should be explicitly linked to the sustainable management of the land to which the payment is attached, and not the beneficiary. Whilst the proposed active farmer definition is linked to 'agricultural activity', it is also based on the amount of direct payments currently being received and to income from non-agricultural sources; factors which bear no relation to how the land is managed.
- Farmers and land managers who have other income generating streams, or have successfully diversified their businesses, often supported by Rural Development funding, may be excluded from Pillar I payments under the proposed definition, despite them actively farming, and in many cases, managing this land to deliver environmental public goods alongside agricultural commodity production.

High Nature Value (HNV) farming

- HNV farming systems (including many of Wales' upland farms for example) are home to some of our most endangered species and provide key public services (e.g. carbon sequestration; clean water supplies), yet many are increasingly economically unviable.
- Current CAP reform proposals offer very little targeted support for HNV farming [or Natura 2000 sites]. A mandatory programme of support for HNV should therefore be established within Rural Development Plans.

Water Framework Directive (WFD) and Sustainable Use [Pesticide] Directive (SUD)

- Wales is committed to achieving the objectives of the WFD and SUD, therefore incorporating the requirements of these directives into cross compliance would be a cost-effective means of achieving this.
- Through the WFD, Wales has committed to achieving good status for all water bodies by 2027. Agricultural activity has a direct impact on water quality and the WFD allowed a

period of 3 years (2009-2012) for Member States to define and implement measures at farm level. Wales should therefore have these measures in place before the new CAP programming period begins in 2014. The inclusion of these measures in cross compliance should not be delayed in the event that some Member States miss their deadline.

- The Sustainable Use Directive commits Member States to reducing the impacts of pesticide use. This is a key piece of legislation that can help to reverse biodiversity declines and contribute towards more environmentally sustainable and resource efficient farming practices. Again there are specific deadlines associated with the implementation of this Directive, including the production of National Action Plans by December 2012, establishment of certification systems by December 2013, and all users to apply the principles of Integrated Pest Management by January 2014. To ensure effective implementation of this Directive, the requirements should begin to be incorporated into cross compliance as soon as possible.