



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

*Response from the Royal Society for the Protection of Birds Cymru
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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As a result of unsustainable land management driven by poorly conceived and outdated policies the Welsh environment is under significant pressure.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.