

Defra discussion paper on the impact in England of EU Commission regulatory proposals for Common Agricultural Policy reform, post 2013

A response by Wildlife and Countryside Link

Wildlife and Countryside Link (Link) brings together over 30 voluntary organisations concerned with the conservation and protection of wildlife and the countryside. Our members practise and advocate environmentally sensitive land management, and encourage respect for and enjoyment of natural landscapes and features, the historic and marine environment and biodiversity. Taken together our members have the support of over 8 million people in the UK and manage over 690,000 hectares of land.

This response is supported by the following 15 organisations

- Amphibian and Reptile Conservation
- Bat Conservation Trust
- Buglife – The Invertebrate Conservation Trust
- Butterfly Conservation
- Campaign for National Parks
- Campaign to Protect Rural England
- Council for British Archaeology
- The Grasslands Trust
- Plantlife
- The Mammal Society
- Royal Society for the Prevention of Cruelty to Animals
- Royal Society for the Protection of Birds
- The Wildlife Trusts
- Wildfowl & Wetlands Trust
- Woodland Trust

Q1: What are your views regarding the direct payments proposals?

Link wants to see the current direct payment system phased out, with a phased transition to a system that rewards farmers and land managers for the provision of environmental public goods and ecosystem services (such as biodiversity, healthy and stable soils and clean water supplies), where these are underprovided. The CAP must play its role in driving the transition towards more sustainable land management which is vital for protecting the EU's long-term food production capacity..

The current system of direct payments does not encourage farmers to take a long-term view of the environment or the market. The payments are not explicitly linked to public good delivery nor

do they secure more sustainable land management. Various studies also suggest they have little impact on food production¹.

We do not believe that the Commission's proposals address our long-standing concerns as they fail to ensure that public investment in agriculture clearly reflects the 'public money for public goods principle'.

We would like to make the following specific comments;

Flexibility between Pillars

- Pillar II should be adequately resourced to ensure each Member State can support its farmers to deliver a range of environmental objectives, including halting and reversing biodiversity declines, maintaining and enhancing landscape character and the historic environment, protecting soil from erosion, improving soil health and protecting and improving water quality. The level of funding needed to secure the EU's environmental objectives by 2020 is estimated at €34 bn per year², significantly more than is allocated to Pillar II currently³.
- Pillar II is inadequately funded and the reform proposals have maintained the existing 75/25 per cent split between the two Pillars. Furthermore, the proposed EU Budget for 2014-2020 has reduced the CAP Budget by over 8% in real terms. The cut to Pillar II funding comes at the same time as proposals that require this Pillar to deliver more for a range of issues, including climate change, innovation and risk management. These factors, coupled with the strong likelihood that CAP resources may be further reduced through the ongoing EU Budget negotiations, mean that we strongly support the proposal to allow Member States to shift resources from Pillar I into Pillar II.
- The amount that Member States are allowed to transfer, or 'modulate', into Pillar II (up to 10% of their Pillar I budget) is unlikely to be sufficient for those Member States with ambitious Pillar II programmes. The UK is a clear example of a Member States that has only been able to deploy its suite of agri-environment schemes by applying higher levels of voluntary modulation. Without the ability to modulate more than 10% of Pillar I funding, the UK will face serious difficulties in maintaining and enhancing its agri-environment programmes, particularly in England.
- The ability to modulate from Pillar I into Pillar II in the next CAP is also optional for Member States, unlike the current CAP's compulsory modulation. This will severely undermine its use by Member States across the EU.
- In the current CAP, compulsory modulation must be co-financed by Member States and the indications are that the proposed voluntary modulation will also have to be co-financed. This will render this mechanism even less attractive to Member State governments, particularly in time of severe financial pressure.
- In the absence of a significantly better resourced Pillar II, Link therefore supports a higher maximum rate of modulation, a degree of compulsion for Member States (e.g. to

¹ Nowicki et al (2009) *Scenar 2020-II – Update of Analysis of Prospects in the Scenar 2020 Study* – Contract No. 30–CE-0200286/00-21. European Commission, Directorate-General Agriculture and Rural Development, Brussels.

² 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.

³ Pillar II is allocated roughly 25% of the CAP budget. Even after compulsory modulation this equates to only €13.7bn per year. Through national co-financing, this amount reaches almost €22 bn per year however not all of this money is spent on measures which deliver clear environmental outcomes.

modulate a certain amount from Pillar I into Pillar II) and co-financing rates set at an affordable level for Member States.

- Link is deeply concerned at proposals to allow Member States that receive less than 90% of the average in direct payments to be able to transfer up to 5% of their Pillar II budget into Pillar I. Not only does this transfer effectively reverse the trajectory of previous CAP reforms, it will allow certain Member States to further undermine the funding levels for Pillar II. The UK, which is one of the Member States permitted to 'reverse modulate', must argue strongly against this during the CAP reform and EU Budget processes as a fundamental point of principle. There must be no further cuts to the Pillar II budget.

Regionalisation of Direct Payments

- Notwithstanding the continuation of Pillar I and direct payments, Link believes that payments rates linked to past production levels cannot be justified. The move to a flat rate payment within those Member States or regions which have retained a link to past production levels, would, if deployed using current payment approaches, effectively see a transfer of funds from more productive (and generally more intensively managed) regions to less intensively managed regions. This could provide a welcome economic boost to extensively managed farms delivering environmental benefits, which have received lower levels of direct payments in countries or regions where the link to historic production levels have been retained.
- However, the legislative proposals allow Member States to apply the Basic Payment scheme at a regional level, with regions defined using "*objective and non-discriminatory criteria such as their agronomic and economic characteristics and their regional agricultural potential, or their institutional or administrative structure (Art 20(1) Direct Payments Regulation)*".
- In England, a regional approach to direct payments has already been taken and payments within the three Single Payment Scheme (SPS) regions in England will be the same value by 2012 – although the three regions each receive different payment rates. This approach has led to Severely Disadvantaged Areas (SDA) excluding moorland and moorland SDA receiving lower direct payments than 'normal' lowland regions, despite these regions often containing environmentally valuable farms.
- We strongly believe that Direct Payments should reflect ecosystem service delivery, and not just economic and agronomic criteria. Funding should therefore be focused on those farming systems that deliver a broad range of ecosystem services in addition to food provisioning, which often tend to be more marginal in terms of economic and social criteria.
- Link firmly believes that a regionalised approach which seeks to retain the distribution of payments largely as they are must be firmly rejected by each of the UK administrations as this runs counter to the 'public money for public goods' principle which should underpin all CAP payments.
- If a regional approach is taken forward Link urges Defra, as part of its negotiating position, to argue for the 'objective criteria' for determining regions to contain a clear environmental element and not just the economic and agronomic criteria currently proposed. This would help formally recognise that agriculture delivers a range of broader ecosystem services than purely food and other agricultural commodities and ensure that farms with relatively low commodity production levels, but high levels of environmental delivery, are fairly rewarded through the Basic Payment scheme. This would also

necessitate a re-evaluation of the payment rates for the three English Direct Payment regions to take environmental criteria into account.

Minimum thresholds for Direct Payments

- We would urge that the minimum claim threshold for direct payments is set as low as possible and are concerned that the claim threshold proposed in Article 10 of the direct payments regulations (1ha or €100) could be raised in the UK to 5ha or €200. This low threshold is necessary to prevent small holdings that may be delivering high levels of environmental benefit from being excluded from direct payment support.
- Whilst we appreciate there are issues of transaction costs for very small claimants, we emphasise that size is not consistently correlated to public good delivery.
- However, as we explain in more detail below, we do not feel small farmers should be exempted from basic environmental measures (either in cross compliance or the proposed 'greening' requirements) as all farms, small and large, have a role to play in maintaining and improving the natural environment.

Payments for Areas with Natural Constraints (ANC)

- This payment, optional at the Member State level, could be extremely useful if targeted at High Nature Value (HNV) farming systems. These systems, which include some of the UK's upland and crofting farming systems, often receive little or no support from current CAP payments, despite the high level of ecosystem services they provide. Direct payments, which are still mainly allocated on an historical basis in most 'old' EU Member States, are biased towards high-output farming systems. Article 33 of the proposed Rural Development Regulation (which set the rules for designating areas with natural or other constraints (ANCs) states that "*Areas other than those referred to in paragraphs 2 and 3 shall be eligible for payments... if they are affected by specific constraints and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline (Art 33(4)).*"
- Whilst payments for ANC continue to form part of the CAP, they must provide improved delivery of environmental public goods. Clear environmental conditionality must be attached to ANC payments which could be achieved by developing appropriate farm-level eligibility criteria.
- The decision in England to move away from automatic Less Favoured Area payments to a specific agri-environment scheme was an important step towards attaching environmental conditionality to this form of CAP support. However, this scheme still requires improvement to deliver clear environmental benefits
- Payments to ANCs from Pillar II should be for specific actions that deliver clear environmental benefits and should not be seen as a compensatory payment.

Support for young farmers

- Article 36 requires Member States to grant an annual payment for a maximum of five years to young farmers (farmers less than 40 years of age). We are concerned that, as currently written, there is no 'environment-proofing' of the proposed Young Farmer Scheme and that this measure could be targeted at initial business start up and structural adjustment of recently created holdings and could simply encourage further intensification of farming practices.

- We therefore, do not support a direct payment which is targeted only at farmers under 40 and which is not linked to the provision of environmental public goods. We would support a mechanism that provided support for new entrants to farming, as long as this mechanism reflected the 'public money for public goods' principle and included an explicit link to more sustainable production methods. This could be secured through a requirement for all recipients of a 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 farms. Such a scheme would have the potential to foster 'green farming champions' and to support a new intake of farmers who demonstrate a commitment to more environmentally sustainable farming practices. Effective advisory services are a key tool for supporting new entrants to farming and these should be strengthened in order to provide them with specific support.

Small farmer scheme

- Under Articles 47-51 small farmers complying with the minimum claim threshold may apply for an annual payment of between €500 and €1000. Farmers in this scheme would be exempt from implementing Good Agricultural and Environmental Condition (GAEC).
- Support for small farmers is a complex issue. For many Member States, small farms make up a significant proportion of the agricultural sector and can have an important role within rural communities. However, in order to be justified, and to represent a good use of public money, support for small farmers must benefit the environment.
- The rationale for a Small Farmer Scheme as set out in the Commission Impact Assessment (Annex 3a) states that such a scheme would "*acknowledge the contribution that such farms make to rural areas and the environment*" (p53).
- Link supports the principle of targeted payments to farms that make valuable contributions to rural communities or to the environment, but questions the validity of assessing the need for specific direct payments based on the scale of a holding alone.
- Smaller holdings do face particular problems in accessing income support and we feel it is essential that the CAP reform proposals address the failures of the current system to provide support to those smaller holdings that make valuable contributions to the environment.
- In the UK we believe there is a need to incentivise those farmers with small areas of land to protect its existing interest (e.g. for biodiversity, landscape or resource protection) or to bring the land into more sympathetic management. Unfortunately advice provided on management is sometimes not acted upon because there is no incentive to implement recommendations. For example, owners of smaller Local Wildlife Sites may not access agricultural income support and so cannot implement the advice that is given to them freely.
- It is clear that the Small Farmer Scheme as set out in the regulations does nothing to address these issues. As it stands the Small Farmer Scheme actually undermines the principle of 'greening' the CAP. The scheme does not differentiate between small farms that make valuable contributions to the environment and small farms that make no contribution or impact negatively on the environment.
- It is therefore unacceptable that up to 10 per cent of the national envelope could be ring-fenced for a Small Farmer Scheme that does not provide a framework for linking direct payments to contributions to the environment.
- We believe that there are other mechanisms that could be introduced to address the problems faced by small HNV farms which are not well supported by direct payments and where the payment logic of Pillar II schemes also results in inadequate financial

support. The legal proposals suggest some potential mechanisms: for example through RDP measures or by using part of the Pillar I budget and to target additional funding to ANC. The uncertainty surrounding these and how they could be applied to HNV farming systems mean that there is no effective framework for protecting and enhancing HNV systems.

- HNV farms, whatever their scale, need targeted economic support linked to the continuation of well-defined land management practices and the delivery of environmental public goods. We suggest that an area-based payment, using Pillar I funding, would be the most appropriate solution to this problem. The tools which could be used for this purpose include National Envelopes to ring-fence a percentage of Pillar I funds to support certain environmentally important farming sectors or systems. A top-up payment could also be introduced to divert a proportion of direct payments to reward the sensitive management of highly biodiverse habitats, particularly species-rich permanent pasture.

Proposed structure of a basic payment and additional tiers

- There remains an absence of clear policy objectives for the proposed Basic Payment. While adherence to cross compliance requirements remains a condition of receiving this payment and most other Direct Payments we do not feel the level of benefit generated by this system is proportional to the level of funding likely to be given by the Basic Payment (between 43 – 70% of the Pillar I budget). As it will account for the largest Pillar I payment, it is imperative that this payment is linked to clear, and improved public benefits.
- We believe the proposed structure of Direct Payments⁴ is now overly complicated and divides the funding available into a number of separate schemes to please a range of stakeholder perspectives rather than implementing a progressive reform that ensures the CAP addresses the needs of the farming sector, the environment and the expectations of civil society in a coherent way.
- Link continues to believe the CAP needs to move beyond the current two pillar structure so that all CAP payments are conditional on the delivery of public goods and environmental outcomes. Targeted payments for HNV farming systems should be introduced along with significantly increased expenditure on AES. Wider rural development measures are necessary where they are essential for the delivery of environmental public goods on farmland, supported by well resourced advisory services.
- Measures to ensure Natura 2000 sites are managed appropriately, many of which depend on sensitive farming methods, are necessary.
- As the current benefits generated by cross compliance are significantly over-compensated through Direct Payments, this basic level of support should be lower. Cross compliance should also be significantly strengthened.

Active farmers

- Link recognises the importance of ensuring all CAP payments can be fully justified to the public and we believe the best way to do this is for the CAP to evolve into a European Sustainable Land Management Policy which ensures all CAP payments are linked to environmental public good delivery. The current reform proposals do not move towards

⁴ Basic Payment Scheme (compulsory for Member States and accounting for 43-68% of their national ceiling); 'Greening' payment (compulsory and accounting for 30%); Young Farmer Scheme (compulsory and accounting for 1-2%); Small Farmer Scheme (compulsory and accounting for 1-10%); Payment for Areas under Natural Constraints (optional and accounting for 0-5%); Coupled support payments (optional and accounting for 0-10%).

such a policy. The proposed 'active farmer' definition takes us further into a flawed approach and could actually exclude many land managers and farmers who are carrying out genuine and environmentally beneficial agricultural land management from Pillar I payments.

- In line with our support for the 'public money for public goods' principle, CAP payments must be explicitly linked to the management of the land to which the payment is attached. Whilst the proposed definition is linked to 'agricultural activity' (see below for specific comments on this issue) it is, rather strangely, also directly linked to income from non-agricultural sources i.e. something that bears no relation to how the land is managed. The proposed definition will exclude many organisations, or businesses who conduct agricultural activity alongside other, larger income generating streams, from Pillar I payments, even though they are actively farming, and in many cases, managing this land to deliver environmental public goods.

Minimum level of agricultural activity

- Link is concerned that the proposed definition of agricultural activity no longer contains an explicit reference to maintaining land in GAEC. Whilst GAEC will still remain a condition of receiving Pillar I Direct Payments (except for the Small Farmer Scheme), this link is not made explicit in the proposed Direct Payments Regulation. Instead, the proposed definition states:
"agricultural activity" means:
 - *rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes,*
 - *maintaining the agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond traditional agricultural methods and machineries, or*
 - *carrying out a minimum activity to be established by Member States on agricultural areas naturally kept in a state suitable for grazing or cultivation*
- The introduction of cross compliance as part of the 2003 CAP reform, was significant because it acknowledged that delivery of environmental and other public benefits from farmers and land managers was a reasonable expectation in return for publicly funded direct payments. Cross compliance conditions contain aspects of existing legislation set at the EU level and GAEC requirements that Member States have considerable flexibility in setting.
- Despite the shortcomings of the existing cross compliance regulations they are a recognised system for assessing whether land is being maintained in agricultural and environmental condition according to national and regional practice. We are concerned that the proposed definition of agricultural activity under the Direct Payments Regulation removes explicit reference to maintaining land in GAEC. Whilst GAEC will remain a condition of receiving most Direct Payments this does not appear to form a key part of agricultural activity – this is not logical and must be rectified.
- Society has an expectation that farming will be sustainable and a desire to see an environmental return from the millions of pounds that UK taxpayers invest through the CAP each year. GAEC is one of the mechanisms for demonstrating a good use of public funds. Removing an explicit link to these conditions, and the introduction of non-environmental based definitions, weakens the justification for use of public funding and adds an extra layer of confusion for applicants.

Capping the Basic Payment Scheme

- Link believes that all CAP payments should be explicitly linked to positive actions that deliver more sustainable land management. The proposal to cap large payments will not achieve this; indeed a more logical approach to justifying public expenditure through the CAP would be to ensure all CAP payment recipients were delivering an appropriate level of public goods for the money they receive.
- We welcome the proposal that the proceeds of capping of the Basic Payment Scheme will remain within the Member State where they were generated and will be transferred into Pillar 2. However, this use of these proceeds would be limited to funding innovation in research and knowledge transfer. Whilst we recognise that there is scope to encourage exceptional agri-environment delivery through a knowledge transfer approach for example, we would seek to remove the restriction on the use of capped funds within Pillar II. In the UK this would allow the Government to divert much needed funds to agri-environment schemes.
- We also welcome the proposals to exempt the 'greening' payment from capping as this could lead to an effective capping of environmental delivery.
- Link believes that it would be fairer, and less open to circumvention, to continue with the existing modulation scheme whereby all scheme recipients contribute to a larger Pillar II fund with larger holdings contributing more.

Greening proposals

- There is strong justification for improving the environmental delivery of the CAP. Biodiversity is in crisis and farmland bird populations have fallen by almost half since the 1970s in the UK and EU; landscape distinctiveness is being lost; soils are under extreme pressure from erosion and reduced health; our waters are polluted and, in some areas, extracted for agriculture at unsustainable levels.
- Link's vision is for the CAP to drive more sustainable and wildlife friendly farming and to play its part in meeting UK, EU and global commitments relating to biodiversity, landscape, water quality and climate change. This requires genuine greening of the entire policy. Link will argue against any attempts at 'greenwash' in the reform process.
- There is considerable scope to improve the environmental delivery of Pillar I; through existing approaches such as cross compliance (see answer to Q4), through the appropriate use of Pillar I payments, and through proposed 'greening' measures.
- It is vitally important that new greening requirements are designed and implemented to deliver clear and significant environmental benefits on the ground. We support the Commission's assertion that 'greening' of Pillar I must be more ambitious than current cross compliance requirements and act as an enhanced environmental baseline upon which Pillar II agri-environment schemes can build.
- It is important that new greening requirements are compulsory at the farm level as this will drive environmental improvements where they are most needed. Farmers must not be able to opt-out of the 'greening' requirements (and payment) as every farm has a role to play in improving the natural environment. It is also important that Pillar I greening and Pillar II agri-environment schemes work coherently together. For example, we support the enhanced management of land meeting greening requirements through agri-environment (whilst accepting that agri-environment schemes will need to change post-reform to reflect changes to cross compliance and new greening requirements) and believe an explicit link between greening and positive management under Pillar II should be established in the final legal text.

Link has the following comments to make on the Commission's greening proposals:

Ecological Focus Areas (EFAs);

- EFAs have significant potential to recognise and reward those farmers who have retained environmentally and agronomically useful features on their farms and to drive those who do not have such features and areas to incorporate them on their land.
- An EFA must only include features or land uses/ areas which are genuinely environmentally beneficial. We propose that uncropped arable land, woodland buffers, landscape features, (including hedgerows), and extensively managed non-arable farmland (such as extensively managed grassland of high environmental value and traditional orchards) should count as EFA land. Current issues surrounding eligibility for CAP Direct Payments have led to the removal of scrub and areas of gorse from many farms across the EU (including in the UK), with negative environmental impacts. Therefore we also propose that these areas should qualify for EFA inclusion, which would provide an extremely useful incentive to retain them on farmland.
- Link believes that exempting grassland-based farms from the EFA requirement is a missed opportunity to drive more positive environmental management in intensively managed areas. Extending EFAs to grassland based farms would also help recognise the valuable contribution that many extensively managed farms with grassland of high environmental value deliver and would be a much better instrument for 'greening' than the current permanent pasture proposals (see comments below).
- It is extremely important to note that while land out of commodity production is likely to constitute a proportion of EFA on many farms, EFAs are not a return to set-aside and many farms will be able to deliver much of their EFA requirement through non-fallow means e.g. landscape features and extensively managed grassland of high environmental value. There will be intense pressure to reduce the 7% proposed for EFAs. However Link strongly believes that this requirement is relatively modest and should therefore be viewed as the bare minimum.
- Many farmers are already working hard to deliver environmental benefits, often through agri-environment schemes, and it is imperative that any new greening requirements do not penalise them. Therefore we suggest farmers could count the 'footprint' or land area of landscape features and areas managed under appropriate agri-environment options towards their EFA area requirement. In order to avoid issues of 'double-funding', some agri-environment measures will need to be re-scored in terms of their 'value'. It is vital that features and land areas in EFAs are managed in a way that maximises environmental outcomes. This positive management should be explicitly encouraged through agri-environment scheme participation
- It is extremely important that simply being in an agri-environment scheme is not counted as 'equivalent' to greening. One of the main weaknesses of the current suite of entry level agri-environment schemes is that entrants have a free choice of management options and often select those with least impact on day to day business operations. This has resulted in many agreements being dominated by options that have relatively low-environmental value. Therefore, significant improvements need to be made to entry level schemes. While the MESME project (Making Environmental Stewardship More Effective) is helping drive this forward in England, in the absence of such improvements, simply being in an agri-environment scheme must not be viewed as meeting the greening requirements. An additional, and major risk of bestowing greening 'equivalence' on broad and shallow agri-environment schemes, would be to make entry into a scheme extremely attractive to those not currently in any scheme. This could increase uptake of ELS to near 100%. Whilst entry into agri-environment is of itself extremely positive, such a move would be very expensive; in fact it would almost certainly be unaffordable given

the current ELS budget. It would be completely unacceptable for funding for higher level, more targeted schemes, to be diverted to lower level schemes in such a situation as these higher level schemes are more targeted and deliver exceptional results for biodiversity, landscape and the historic environment.

Targeted land in a farm's Ecological Focus Area

- All land that delivers genuine environmental benefits within the farm's area should be eligible for EFA – some land types e.g. scrubby or woody areas have been deemed ineligible for direct payments in some parts of the UK (including Scotland and Northern Ireland). These areas can often be valuable for biodiversity and resource protection and being eligible for the greening payment would incentivise their retention in the farmed landscape.
- As outlined above, Link believes the EFA requirement should also apply to grassland as this would provide a valuable means of driving intensively managed grassland farms to leave a small percentage of the farm for environmental protection and enhancement. It would also provide a degree of much needed recognition of extensively managed grassland of high environmental value.
- Targeting EFA land to particular areas on a farm, for example, where it might be most useful for resource protection or buffer an existing area of habitat, would be a very sensible approach. Providing advice to farmers on how to target their EFA land to maximise its environmental impact would be particularly useful and this could be delivered through the Farm Advisory Service which has had its remit helpfully expanded in the proposals for reform.
- As highlighted above, in addition to locating EFA land where it is most needed, encouraging positive management of EFA land through agri-environment would improve the measure's impact considerably. The relationship between EFAs and positive management through agri-environment should be explicitly encouraged within the legal text.

Permanent Grassland

- Grasslands of high environmental value urgently need proper protection and support. However, the current definition of permanent pasture fails to distinguish between intensive grass crops and extensively managed grasslands of the highest environmental value and the current proposals could incentivise their destruction. The proposed reference year of 2014 may incentivise landowners to cultivate their grassland before this date.
- Link believes that a Pillar I top up payment to provide support for extensively managed grassland is urgently required. However, in the absence of such a payment, the proposed permanent pasture measure should be rejected (whilst retaining the current requirement for Member States to ensure large scale conversion to arable does not occur)
- To both reward environmentally beneficial grassland management and drive more environmentally beneficial management in intensive grasslands sectors, the requirement for Ecological Focus Areas should be expanded to cover grassland farms.

Crop Diversity

- The crop diversity measure may provide some degree of protection against monocultures but it will not deliver the proven benefits of agronomically sound crop rotations. Perversely, it risks incentivising livestock farmers who grow a small area of

fodder crop to cease arable production altogether, which could be detrimental to farmland birds by removing a valuable feeding resource. Ideally this measure should be replaced by an environmentally beneficial crop rotation requirement, suited to local agronomic and climatic conditions and incorporating a leguminous crop

- Crop rotations are recognised as basic good agronomic practice and their benefits for reducing pesticide use, improving soil quality and fixing nitrogen are well documented. In addition, rotations with legumes can play a role in reducing Europe's imports of proteins from tropical areas and related deforestation, emissions and damage to global biodiversity hotspots.
- Meaningful crop rotation builds good soil structure, increases organic matter and water provision and can improve yields. When a nitrogen-fixing crop is included, crop rotation can reduce the need for chemical fertilisers which is positive for both diffuse pollution and climate change as emissions associated with the production and application of nitrogen fertiliser will also be reduced. Crop rotation, especially combined with conservation tillage, can contribute to higher soil-carbon content and so improve the carbon sequestration of soil, again positively contributing to combating climate change.

'Free pass' for organic farms

- Link recognises that organic farming, in general, delivers benefits for the natural environment and believes such systems should be better supported through the CAP. However, we do not feel that certified organic farms should automatically receive the greening payment because many of the beneficial features often associated with organic farms (such as more landscape features and semi-natural habitat than conventional farms⁵) are not a requirement of organic certification. It could therefore be acceptable, from a certification point of view, for an organic farm to be intensively managed and contain no areas for biodiversity to thrive.
- Link believes that well managed organic farms will almost certainly be meeting the requirements of the proposed greening payment. In order to provide a 'safety net' for organic farms that are not as sensitively managed, Link believes all organic farms should be required to undertake greening requirements in return for the greening payment. As with conventional farms in agri-environment, if an organic farmer is managing land under appropriate options in Environmental Stewardship, the 'footprint' of this land should count towards their EFA.

Coupled support

- Link does not support the principle of coupled support and see this proposal as a retrograde step. We view this proposal as a blunt instrument that will not deliver what it seeks to achieve. Link believes that a more useful rural development measure could be devised using the additional funding that might be allocated to this proposal. However, if such a coupled support measure was introduced it should be targeted at providing environmental outcomes. For example, it may be suitable where there is undergrazing or to allow support to be channelled to HNV livestock systems. Such support must only be granted in conjunction with clear environmental safeguards.

Q2: What are your views regarding the single common market organisation proposals?

⁵ Norton et al 2009 Consequences of organic and non-organic farming practices for field, farm and landscape complexity. Agriculture, Ecosystems and Environment, 129 (1-3). 221-227. doi:10.1016/j.agee.2008.09.002

- Link believes that crisis reserves and the risk management provisions are not the best tools to deal with price volatility. Economic modelling suggests that high and volatile commodity prices are likely to continue in the future. The drivers of price volatility are varied but include our exposure to global markets as well as resource scarcity which can lead to rises in the price of agricultural inputs such as fertilizer, fuel and livestock feed.
- In future, extreme climatic events have the potential to increase risks to farming and farm prices. The CAP reform must implement measures to control the structural causes of volatility rather than just mitigate their impacts. This means shifting European farming to a more sustainable resource base through genuine greening (across both pillars) and strict enforcement of cross compliance measures. We believe that profitable farm businesses that are buffered against risks in the future will be those that practice sustainable farming methods and preserve vital ecosystem functions.

Q3: What are your views regarding the rural development proposals?

Link believes that, given the continued need to increase biodiversity and, maintain, restore and enhance landscape features that add distinctiveness to the rural environment, the main focus of rural development measures should remain on agri-environment schemes. Link supports wider rural measures where these underpin social sustainability and the delivery of environmental services on farmland. Measures that run counter to this objective, such as unsustainable investments in competitive measures or risk management measures should not be included in the next suite of rural development programmes.

Link would like to make the following comments on the rural development proposals;

The Budget

- Although outside the remit of the CAP reform proposals, it is extremely disappointing that the proposed Multi-Annual Financial Framework (MFF) for 2014-2020 has not increased the proportion of funding for Pillar II which will still receive just 25% of the overall CAP budget. As the next CAP budget will be reduced by some 8.2% in real terms, and this cut is applied equally to both Pillars, there will be even less funding available for the natural environment.
- This makes the 'modulation' of funds from Pillar I into Pillar II even more important. Link strongly welcomes the proposal to allow Member States to undertake such transfers. However, we do not feel the amount Member States can modulate (up to 10% of the Pillar I budget) is high enough. The lack of compulsion for Member States means that many will choose not to modulate and co-financing may render such a transfer even less financially attractive to cash-strapped Treasuries.
- Link is deeply disappointed at the proposal to allow certain Member States to transfer up to 5% of their Pillar II Budget into Pillar I. Such a transfer represents a significant backward step for the policy and would undermine efforts to justify the public's investment in EU farming.

Distribution of Pillar II support among Member States

- The proposals state that Member States' Pillar II resources for the next CAP programming period will be determined by the Commission through a combination of 'objective criteria' and past performance.
- Positively, the Commission's Impact Assessment includes environmental criteria in its list of objective criteria, including areas designated as Natura 2000 and, to a less environmentally robust degree, areas designated as LFA and land under permanent

pasture. Whilst full details have not been released to determine exactly how the Commission would reflect these objective criteria in allocating support to Member States, it is likely that the UK, which has received extremely poor Pillar II allocations in the past, would benefit from such an approach.

- However, this could be undermined if the Commission fails to take into account the UK's contribution to Pillar II funds through modulation when determining past performance. It is vital that this reflects the UK's Pillar II receipts post voluntary modulation otherwise the UK will still receive an unfairly poor Pillar II allocation which will undermine its ability to maintain and increase the level of Pillar II ambition, particularly in relation to agri-environment.

Removal of axes from the new regulation and removal of minimum spends

- Link notes that there have been various attempts to use rural development measures in an integrated way. This is likely to be even more important over the lifetime of the next programme as land use pressures, natural resource constraints and efforts to introduce landscape scale conservation approaches become more important.
- Link does not believe that the system of axes in the current programme has improved integration. The axes artificially separated some Pillar II measures, leading to competitiveness and environmental management being viewed as separate and conflicting issues. However, minimum spend requirements did ensure that all Member States deployed measures across a range of issues. Inevitably the degree of integration is influenced by the way the programme is administered. It will be vital for the different agencies responsible for deploying the programme measures to work together to realise the benefits of integrated approaches.
- While the proposal to remove the axes may allow a more strategic approach to rural development programme planning it is vital that the degree of integration of measures is monitored throughout the programme.
- It is extremely important that a minimum spend for agri-environment measures is retained. However, we believe that the required 25% minimum spend on environmental land management measures set out in the proposals should be increased. We are concerned that the minimum spend will include payments to those in the proposed Areas with Natural Constraints which will add to the pressure on agri-environment budgets. These payments should not be included in the 25%.

Commission's six strategic priorities

- Link does not disagree with the six strategic priorities and strongly supports the wording that priority four should include restoration of European landscapes and biodiversity. We also welcome the need for all of the priorities to contribute to the cross cutting objectives of environment and climate change adaptation and mitigation. This will be particularly important for promoting not only economic development but environmental sustainability in rural areas (priority six) and for enhancing the competitiveness of all types of agriculture while enhancing farm viability (priority two).

Useful proposed measures

- Link member organisations engage with a wide range of environmental and rural issues. Many members also manage land for conservation outcomes. Agri-environment measures will be particularly important as well as measures that seek to support rural communities and the growth of rural businesses in an environmentally sustainable way, for example measures that help encourage the development of local food businesses.

Strategic focus on innovation and technology

- Link is concerned that, too often, innovation and technology are focussed solely on improving resource efficiency. Whilst improved resource efficiency has an important role to play, this approach, particularly in the livestock sector is leading to further intensification (i.e. spreading the same environmental impact over higher numbers of livestock so that whilst impacts per unit of production may be reduced, overall impacts either stay the same or increase). This approach is likely to be damaging to the local and global environment.
- Link is supportive of a focus on innovation and technology as long as it is on innovative techniques and technologies that lead to more environmentally sustainable production methods and a reduction in overall negative environmental impact associated with production, not simply reductions per unit of production. Technologies for sustainable agriculture should take into account embedded environmental impacts in farm inputs ie life cycle analysis. Funding should not be granted to technologies that simply displace environmental impacts, or that focus on one area e.g. emissions reductions at the expense of an integrated approach that delivers best outcomes for all environmental indicators such as biodiversity, landscape character, animal welfare, or soil quality. It should also not fund research into those technologies that are capable of being funded by the private sector.

New measure for organic farming

- Link supports rural development measures that encourage the conversion and maintenance of organic farming where these result in the delivery of higher levels of environmental benefit.

Agri-environment-climate schemes measure

- Link believes agri-environment schemes represent the best use of public money in the entire CAP and fully supports their continued use.
- Group applications will be key to delivery of a landscape scale approach and larger scale environmental delivery, which will be important for enhancing landscape character, maintaining and restoring habitats and providing a tool for climate change adaptation.
- However, the addition of climate change to the existing objectives of agri-environment schemes reinforces the need for adequate funding to be provided if resources are not to be stretched even more thinly, risking the successful delivery of environmental outcomes. We would like to see soil protection and grazing and nutrient management options made more widely available.
- There is a risk that the new 'climate' aspect to agri-environment measures could lead to unsustainable measures being funded (e.g. larger livestock housing units or inappropriate anaerobic digestion installations). We would therefore argue that any measure which seeks to address climate change, also clearly demonstrates benefits for the wider environment (e.g. arable reversion to grassland, which can bring biodiversity and resource protection benefits as well as protecting soil carbon).

Risk Management provisions

- Link believes these measures (financial contributions to cover insurance and mutual funds and an income stabilisation tool – Article 37-40) are a poor use of public money and could act as a disincentive to farmers to address risks as part of their business planning.

- There is a real danger that such measures could consume a large a part of Pillar II funding to the detriment of other beneficial schemes.

Missing positive measures under the current RDP

- Link believes that it is important to ensure continuity between the measures in the current and new rural development programmes. We believe it is important to maintain the current suite of agri-environment measures while continuing to improve the range of options available to farmers and increasing the benefits these schemes deliver.
- Link is disappointed that the number of measures to promote animal welfare has been reduced from seven to four. This, coupled with the dropping of animal welfare as an objective, runs contrary to the Commission's second Animal Health and Welfare Strategy proposals released in January 2012, which seek to improve consumer awareness and take up of products produced to higher animal welfare standards.

Continued role for Leader, including a minimum spend of 5%

- Despite issues with administrative complexity the Leader programme has delivered some valuable outcomes. We welcome a continuing role for Leader and its local priorities and delivery. It is important that the delivery burden on Local Action Groups (LAGs) is eased and they have the flexibility to use Common Strategic Framework Funds in a way that suit local circumstances, by comparison with the current arrangements. These changes should be accompanied by a UK level review of the way Leader operates. A review should address the system for controls and reporting, to reduce its complexity and make it easier for local actors to access the funding available, in line with LAG strategies. It should also be able to consider project areas based on a particular landscape or habitat type.

Proposed “Areas with Natural Constraints” designation

- The proposed ANC designation, has significantly better potential to target public support to environmentally valuable farms than the current LFA approach as it can include areas “*where land management should be continued in order to conserve or improve the environment, maintain the countryside*” (Article 33 (4)). We maintain our concern however that this payment could still largely be made in isolation from the land management activities taking place i.e. there is no explicit requirement for environmental public goods to be delivered and the payment could be made to farms not delivering public goods.
- However, in the absence of a targeted payment for HNV farming systems, the ANC payment could, if deployed well, help plug some of that policy gap.

Q4: What are your views regarding the financing, management and controls proposal?

Removal of GAEC and SMR requirements

The cross compliance system has to date failed to meet its potential and has many shortcomings relating to poor requirement design, implementation and enforcement. The proposals have not addressed these shortcomings and appear, in the main, to be continuing an extremely concerning trend of watering down the requirements of the systems and its ability to deliver environmental improvements. As the majority of CAP payments will still be conditional on meeting cross compliance requirements, it is extremely important that the system is improved to reflect the ‘public money for public goods’ principle.

GAEC

- Link recognises that there have been some positive elements added to the GAEC requirements in the Commission's proposals, including a ban on hedge and tree cutting during the bird breeding and rearing season (GAEC 8) and a potentially useful addition dealing with protection of wetland and carbon rich soils (GAEC 7). However, there have been other concerning changes. The current Regulation dealing with cross compliance (Regulation 73/2009) includes the wording "*Ensure a minimum level of maintenance and avoid the deterioration of habitats*". This is not replicated in the proposals for reform, which could curtail Member States' ability to define beneficial management requirements under the new GAEC framework, vital for safeguarding environmental outcomes.
- The GAEC relating to crop rotation has been removed (presumably under the misapprehension that the proposed crop diversity measure under Pillar I greening will meet this need) as has the GAEC relating to appropriate machinery use to maintain soil structure. These deletions are weakening the ability of cross compliance to deliver environmental protection and improvement. It is imperative that as part of the current reform round, we do not lose elements of the current GAEC framework.

Statutory Management Requirements

- Link is also concerned that the SMR element of the cross compliance system is being steadily undermined through a misguided approach to 'simplification'. During the 2008 'Health Check' of the CAP, important elements relating to the Birds and Habitats Directives were removed from cross compliance and this worrying trend has been continued into the current Commission Proposals for reform, notably a proposal to remove Birds Directive Articles 5 (a), (b) and (d), relating to the deliberate killing or capture of wild birds, damage to eggs and nests and disturbance. There are also proposals to remove the element of the Habitats Directive (Article 6 (3), (4)) that requires national authorities to assess plans and projects which are likely to have a significant effect on Natura 2000 sites and to mitigate damage if work goes ahead; and Article 13 (1) (a) which deals with the deliberate destruction of protected species of wild plants. These proposed deletions must be rejected by Defra as part of its negotiating position.
- Link is also disappointed that the cross compliance measures have not been widened to include further environmental and animal welfare measures. The list of laws that cross compliance applies to has not changed since it was enacted despite agreement on many laws subsequently whose enforcement could benefit from being part of cross compliance.

Farm Advisory Service

Link strongly welcomes the proposals to significantly extend the minimum scope for the Farm Advisory Service (FAS) to cover climate change mitigation and adaptation; biodiversity; landscape, historic environment; protection of water; notification of animal and plant diseases; and innovation.

The 'biodiversity' heading is particularly welcome as it would require the FAS to provide information about the Birds and Habitats Directives, agro-forestry, organic farming and agri-environment schemes. As highlighted above, the FAS could also usefully advise farmers on the location for EFAs in order to secure maximum environmental benefit. This could lead to real improvements. However it will require significant political will to ensure the FAS is soundly implemented, staffed with well trained personnel and adequately funded to provide the level of advice needed.

Link would also like to make the following observations on the proposed 'Horizontal' regulation:

Monitoring and evaluation

- The Regulation proposes the establishment of a common monitoring and evaluation framework to measure the performance of the CAP (covering direct payments, market measures, rural development and cross compliance) against the objectives of viable food production, sustainable management of natural resources and climate action, and balanced territorial development.
- In principle, it is extremely positive that a monitoring framework has been extended to Pillar I. However, for aspects of the CAP that have ill-defined objectives, such as direct payments it is difficult to tell how they can be assessed in any meaningful way. It will be critically important to ensure that SMART⁶ objectives are defined as part of the reform process, potentially within the implementing regulations.

Cross compliance enforcement and penalties

- Link maintains that the level of cross compliance inspections remain far too low and should be significantly increased from the current 5% of CAP payment recipients. As highlighted by the European Court of Auditors⁷, this level of inspection is unsatisfactorily low and may contribute to the low levels of infringement found for some SMRs, especially if the timing of inspections does not coincide with farming activities most likely to cause infringements.
- Link is particularly concerned at the proposal “to allow for a reduction of the number of on-the-spot checks for Member States with properly functioning control systems and low error rates (emphasis added)⁸”.
- One of the objectives of cross compliance is to provide an incentive for farmers to respect existing legislation. If there are no, or very few infringements, this could be interpreted as the fulfillment of this objective. To effectively remove a cross compliance requirement because of its successful implementation would undermine an important aspect of the system and send the wrong message to farmers. It would also incentivise under-inspection by Member State inspection authorities.
- The absence (or very low number) of infringements for particular cross compliance requirements may be explained by their inadequate design rather than their successful implementation. For example, the Birds Directive (which alongside the Habitats Directive has a very low number of detected infringements in Member States each year), was transposed mainly to protect species from hunting and does not adequately reflect the non-hunting threats facing birds such as those arising from intensive agriculture (e.g. habitat destruction, reduction of food resources, direct damage). As a result, cross compliance requirements concerning the Birds Directive, which specifically relate to farming practices, are lacking. The absence of SMR infringements may therefore reflect the fact that inspectors are not checking the right things. Link therefore strongly rejects any reduction in inspection rates.
- The financial motivation for Member States to robustly enforce cross compliance remains very weak. Current rules stipulate that Member States can only retain 25% of receipts generated from non compliance – the rest of the money is returned to Europe. The proposed Regulation reduces this further to just 10%.

⁶ Specific, Measurable, Achievable, Realistic and Timed.

⁷ European Court of Auditors 2008. Is cross compliance an effective policy? Special report No 8: 27-29.

⁸ Pg 6 Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the financing, management and monitoring of the common agricultural policy. Brussels, 19.10.2011 COM(2011) 628 final/2 2011/0288 (COD)

Q8: Do you have views on any further areas you think we should consider concerning this package of CAP reform proposals?

- Link believes that public support for farming must encompass UK and EU commitments on the environment, wildlife, landscape and climate change. Any payment, whether from the EU or national administrations, must be consistent with protecting our valued places and wildlife as part of viable productive farm businesses.
- The Government should adopt a sensible, and sustainable, approach to food production in the UK. As noted by the UN Special Rapporteur on the Right to Food, the strategic objective [of the EU] today should be to support developing countries to “feed themselves”; not to “feed the world”.⁹
- The 3rd Foresight report of the Standing Committee on Agricultural Research (SCAR) notes that globally and in many regions including Europe, food production is exceeding environmental limits or is close to doing so. It stresses the imperative to ensure that “*resource consumption and pressures on the environment do not increase at rates which will eventually result in human and environmental catastrophes*”.¹⁰ Therefore it is clear that we cannot achieve global food security without urgently tackling the impacts of EU agriculture on the environment at home and overseas and moving to farming systems that recycle and renew resources. CAP reform which improves the environmental performance of EU agriculture is a key step towards this.
- For more information on Link’s perspective on CAP reform, please see our report *Crunch Time for CAP* which encompasses our vision of directing public investment to farmers and land managers who provide society with environmental services. This would be a clear step toward recognising the value of the natural environment and help to create vibrant rural communities and a farming sector that delivers greater environmental benefits far into the future.

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⁹ The Common Agricultural Policy towards 2020: The role of the European Union in supporting the realization of the right to food Comments and Recommendations by the United Nations Special Rapporteur on the right to food Mr. Olivier De Schutter 17 June 2011 http://www.unep.ch/etb/publications/insideCBTF_OA_2008.pdf

http://www.srfood.org/images/stories/pdf/otherdocuments/20110617_cap-reform-comment.pdf

¹⁰ European Commission – Standing Committee on Agricultural Research (SCAR) The 3rd SCAR Foresight Exercise http://ec.europa.eu/research/agriculture/scar/pdf/scar_feg3_final_report_01_02_2011.pdf