Only those submissions written specifically for the Committee and accepted by the Committee as evidence for the inquiry Greening the Common Agricultural Policy are included.
List of written evidence

1. Royal Society for the Prevention of Cruelty to Animals (RSPCA)
2. Tom Allen-Stevens, Oxfordshire Farmer
3. Tenant Farmers Association (TFA)
4. Michael Cooper, Director, UK Co-ordinating Body for the Common Agricultural Policy (CAP)
5. Country Land and Business Association (CLA)
6. Rothamsted Research
7. Scottish Agricultural College (SAC)
8. National Farmers’ Union (NFU); and 8A National Farmers’ Union (NFU) (further submission)
9. Central Association of Agricultural Valuers
10. Soil Association
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12. Society of Biology
13. Devon County Council
14. Tate & Lyle Sugars
15. National Heart Forum
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17. Water UK
18. Professor Nic Lampkin, Director, Organic Research Centre and Visiting Professor, University of Reading, School of Agriculture Policy and Development
19. Royal Association of British Dairy Farmers (RABDF)
20. National Trust for England, Wales and Northern Ireland
21. Royal Society for the Protection of Birds (RSPB)
22. Dairy UK
23. The Woodland Trust and 23a The Woodland Trust (further submission)
24. Fairtrade Foundation
25. The Wildlife Trusts
26. The Grasslands Trust
27. Professor Tim Benton, Professor of Population Ecology, University of Leeds and Champion for the Global Food Security Programme
28. Institute for European Environmental Policy (IEEP)
29. Natural England
30. Department for Environment, Food and Rural Affairs (Defra)
31. European Forum on Nature Conservation and Pastoralism
32. Smiths Gore
33. Friends of the Earth
34. Scottish Government
35. Committee for Agriculture and Rural Development, Northern Ireland Assembly
Written evidence submitted by the Royal Society for the Prevention of Cruelty to Animals
(RSPCA) (GCAP 01)

THE IMPACT OF THE PROPOSALS “GREENING” THE COMMON AGRICULTURAL POLICY

Executive summary
The proposed 2011 reforms do nothing to promote or enhance animal welfare additional to the existing CAP, and in some areas are a retrograde step. The greening of the CAP under Pillar 1 will take emphasis and finance away from enhancing Pillar 2 payments, which is where the animal welfare measures are. The greening proposals do not contain any measures to promote animal welfare. The Commission proposals do not add any budget line or incentives to improve animal welfare. To rectify this Pillar 2 should be enhanced and animal welfare measures made compulsory, and an element in the greening proposals under Pillar 1 should contain measures that also enhance animal welfare.

1. The RSPCA welcomes the opportunity to comment on the effects of the “greening” proposals included in the Commission communication on CAP reform, as it relates to animal welfare.

2. The impact of additional greening requirements on food production and the competitiveness of the agricultural industry
The competitiveness of the agricultural industry has a close link to welfare improvements in the farming method, particularly in the pigs, chickens, calves and laying hens sectors. There have been suggestions that these disadvantage UK producers against products being more intensively farmed in other countries either within or outside the EU. The phase out of the conventional battery cage on 1st January 2012, and the projected non-compliance of around 20-30% of European eggs as illegal systems are kept on in at least six of the main egg producing Member States, also raises the prospect of a harmonised but not enforced welfare standard which will result in differing standards occurring in the EU. This could have a major impact on the competitiveness of British egg producers as studies in the laying hen sector shows a production cost difference of 8-10% when moving to the enriched cage system, and 46-59% when moving to a free range system.

3. Eggs are not the only sector that could be disadvantaged. The move to a phase out of the stall and tether ban for pig production in 2013 has also raised concerns on non-compliance of the systems in other countries and their effect on British farming. Economic analysis done in the pig sector also shows a competitive disadvantage to British producers which CAP measures such as payments for assurance schemes or animal welfare could rectify.

4. There is a simple solution to ensuring that a harmonised system occurs when a change over in animal welfare standards under an existing law occurs and that any non compliance of existing standards within the EU does not impact on competitiveness in the UK. The cross compliance mechanism at present only applies to the general farming Directive 98/58, the calves Directive 97/2, and the pigs Directive 2001/88. The RSPCA wants this list of cross compliance legislation to be expanded to include the legislation on live transport of animals (Regulation 1/2005), chickens (Directive 2008/43) and laying hens (Directive 1999/74). Without these cross compliance

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1 The Case against Cages 2005 RSPCA, Hard boiled Reality 2001 RSPCA
3 Effect of higher welfare standards on the costs of producing beef and pork in the EU. Bondt et al 2004 Agricultural Economics Research Institute The Hague.
measures, a lack of harmonised standards in other EU Member States could impact on the competitiveness of British farmers. At present there is a real risk of British egg producers being put under threat from imports from EU countries where standards are lower, and eggs are being produced from illegal systems from 1st January 2012 or from pigs being produced under illegal systems from 21st January 2013.

5. As well as enhancing cross compliance, more detailed workstreams are required under Pillar 2 of the CAP proposals to encourage farming at higher animal welfare standards. None of the six priorities in the Rural Development section of the CAP proposals include animal welfare, though there are links to some of the measures proposed such as enhancing competitiveness and investment in quality schemes. The number of schemes that could be used for animal welfare have been reduced from seven to five with only one specific to animal welfare (Article 34). As none of the animal welfare measures are obligatory, the RSPCA fears that the poor take-up that occurred under the present CAP programme will be replicated. Only nine rural development schemes took up the animal welfare payments in the present period and only Scotland of the four devolved authorities has a specific scheme targeted at animal welfare, though clear improvements from this scheme were generated in the sheep and dairy cattle sectors”⁴.

6. It is difficult to see how the proposals in the Communication, which contain no new compulsory measures will ensure fair competition for British agricultural products, particularly in those sectors such as chicken and pig production where British standards are above some of the other Member States and competition will be much greater than on a global level.

**Recommendations for improving the greening proposals**

7. The cross compliance measures under Pillar 1 should be widened to include more animal welfare laws than the present three. This would be a good step towards reducing any competition problems arising from harmonised standards not being properly introduced. Secondly, introducing an animal welfare measure in to the “greening payment” proposed under Pillar I would start to address the problem of funds being diverted from Pillar 2 into Pillar 1 and the assumption that a greening proposal will solve environmental or animal welfare issues. Finally, payments under Pillar II have suffered from a lack of funding which has resulted in few measures being proposed by Member States. Even though there are over 100 rural development schemes under the 2007-13 programme that have programmes where animal welfare could benefit, only eight countries have taken the two specific animal welfare schemes under 16 different programmes. A common policy to make it mandatory that Member States introduce at least one animal welfare measure under Pillar II payments would rectify this. It would be left to Member State discretion as to which policy they would include under such a regime.

November 2011

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Written evidence submitted by Tom Allen-Stevens, Oxfordshire Farmer (GCAP 02)

CAP Reform

Views on EU proposals to ‘green’ the Common Agricultural Policy

1. Summary

Proposed greening measures will not deliver significant environmental benefits because they are too prescriptive and do not recognise the good environmental work already undertaken by many farmers, such as ourselves. We’ve found recent reforms have simplified the subsidy system and enabled us to increase production and deliver greater environmental benefits. But these proposals threaten to reverse this progress.

Greening should be achieved through expanding Pillar 2 at the expense of Pillar 1. But the overall objective of the EU Commission in this reform is to justify the CAP to the taxpayer. So therefore there should be an exemption from greening measures for those farmers who invite taxpayers on to their farm to show them where public funds are spent. This is work we do, and 100s of farmers like us, through Open Farm Sunday, Educational Access, farm visits and Care Farming. But it gets little recognition, and its value to CAP and to society is underestimated.

2. Will the proposal to green direct payments generate significant environmental benefits?

2.1. I don’t believe it will. This idea has not been thought through with consideration for how it will be put into practice on farm. Generally speaking farmers are not averse to encouraging the environment and wildlife, but are much more willing to do so voluntarily under a range of options that they can pick that will suit their farm.

2.2. On our farm, around 17% of the land is in non-food production, generating benefits for wildlife. We have 5km of hedgerows, 3.5km of ditches, 3km of grass margins – I could go on. We’ve chosen options from ELS that suit the farm. There are areas that were in set aside that fall outside ELS we continue to maintain as wildlife habitats, supporting a growing population of grey partridge, and these areas I count towards our contribution to Campaign for Farmed Environment. We have pond buffer areas, and have positioned grass margins to protect water. We have developed our cultivation and rotational policies to ensure sustainable production, so that this farm can continue to meet the challenges of feeding a growing population from our soils. I think we’re doing our bit, and I think a lot of other farmers will say the same.

2.3. But the current proposals will force us to take extra measures that are too prescriptive and will affect all of our farming area. If ratified in its present form it will purely be seen as a box-ticking exercise to get the subsidy, and sorely resented as a result. That’s not the way to incentivise us to encourage wildlife or preserve the environment, and I’d warrant most other farmers would say the same.
2.4. I also resent the implication from these proposals that we are not farming in a way that is sustainable and ‘green’ and that further measures are therefore required. Those who come here and see the farm will know that is simply not the case.

3. What will be the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

3.1. They will have a negative impact and this entirely flies in the face of the Commission’s earlier promises that it wanted to increase competitiveness.

3.2. Taking an extra 7% of land out of production is madness. On this farm we have carefully chosen areas that have been taken out of production to maximise their wildlife benefit but minimise impact on food production. I believe we’ve succeeded – we’re producing significantly more than we were pre-1992/MacSharry reforms on less cultivated/grazed land. But we’re not a high production farm. That 17% we’ve taken out reflects the area that can deliver more public good through non-food production than if we were to crop or graze it. Previous CAP reforms have worked extremely well to enable us to identify those areas and deliver on that objective. But we’re there now – take any more land out and it would impact on food production and our ability to compete.

3.3. It’s the same on every other farm in the UK – most farmers should have found the balance of land they can take out of production without having too great an impact on their ability to produce food. This could be 0.5%, it could be 50%. To take 7% of Grade I Lincolnshire silt out of production, for example, would be complete folly. But that doesn’t mean to say that a Lincs high-production unit can’t deliver high environmental benefits.

3.4. Our farm is under a contract-farming arrangement and we restructured the agreement after the single payment (SP) came in so that we can respond more closely to market signals – the contractor gets different per-acre rates that relate to the profitability of individual crops. If market price plummets, he can choses to leave some land fallow, without penalty – this wasn’t possible before SP. Equally it allows for block-cropping if he wants to exercise a rotation that uses this farm as part of the total area he farms, and thereby gain a production and competitive advantage.

3.5. This flexibility and ability to respond to market signals would be threatened by proposed CAP reforms, in particular the requirement to plant at least three crops. Over his entire area the contractor grows at least five or six different crops, rotating them carefully to ensure the system is sustainable and builds inherent fertility. But in any one year there may be only two crops on this farm – he currently has the flexibility to plant just one. Yet soil fertility has improved under this system, while wildlife has benefited from other measures we’ve adopted.

4. How consistent are the greening proposals with the CAP simplification agenda?

4.1. The proposals don’t seem to fit very well within the simplification agenda. They will inevitably add extra tiers of checks. You wonder whether actually they’re making it more
complicated. This would persuade farmers it’s not worth the bother, thereby reducing the number of farmers who actually want to claim subsidy.

5. **How can greening pillar 1 be made coherent with agri-environment schemes?**

5.1. I can’t understand why the EU appears to be abandoning Pillar 2. The whole point of introducing Pillar 2 was that this was the green pillar – it would start off small and grow. ELS and HLS are very good schemes. Considering the complexity of what they’re managing, NE deliver a really good service, both to farmers and the public. They offer farmers choice and reasonable rewards for a good job done. The obvious no-brainer solution is to expand these schemes to occupy say 30-40% of the budget, modulating funds accordingly, and to leave pillar 1 well alone.

5.2. There are a great many good schemes that should be brought within ERDP as part of an expanded Pillar 2. Easier access into HLS should be among these, and in particular recognition for Educational Access and Care Farming.

6. **Recommendations for improving the greening proposals**

6.1. The requirement for greening has come from Cioloş’ agenda to make the CAP more agreeable to the taxpayer. So rather than get reluctant farmers to green up their offering, would it not be a better idea for farmers to invite taxpayers on to their farm to see where the money is spent?

6.2. This is something we do each year on Open Farm Sunday – we receive about 200 visitors and include a tour of the farm, showing them the environmental work we do and what it’s delivering, as well as how we produce food sustainably. We find visitors are not only grateful and find it worthwhile, they enthusiastically support us.

6.3. There are around 350-400 farmers who open each year for Open Farm Sunday and survey results from them and their visitors suggest this type of direct involvement with the general public is a very effective route to increase understanding of how public funds are spent and the countryside cared for. There are now over 1000 farmers who have taken part in OFS since it started 5 years ago, and over 1 million visitors have attended an OFS event.

6.4. In addition there are 1000 Educational Access agreement holders in HLS who host farm visits, mainly schoolchildren, to give them a greater appreciation of how the countryside is farmed.

6.5. Farmers who do this work should be given an exemption from the greening proposals, similar to organic farmers. While there is still scope for many farmers to increase the environmental value of their farm, it is as important that the taxpayer is shown the good environmental work that is currently carried out with public funds.

6.6. Cioloş himself is in favour of this idea. In a recent interview with *NFU British Farmer and Grower* magazine, in which NFU members were invited to submit questions, he chose the question reproduced below as the ‘star question’ and gave the answer indicated:
Rather than justifying the CAP to taxpayers through greening, why not reward every farmer who brings the public onto their farm and shows them how the CAP funds are spent?

Farmers look after roughly two-thirds of the land in the EU. As a result, if we get all farmers to do just a little bit more, then greening can really make a difference. I agree with your idea of getting the non-farming public to better understand what CAP funds do – and maybe member states can look at encouraging farm visits under a rural development scheme.

6.7. Educational Access currently gets a pitiful share of ERDP funds because none of the money comes from the European pot – it all comes from UK Treasury funds, despite the fact it clearly delivers a European objective of showing the taxpayer where CAP funds are spent. OFS is currently 80% funded by commercial sponsors (20% public funds). But it is the farmers themselves who put in the most resource, most of which goes unrewarded, so it is unsurprising there are so few who carry out this good work.

6.8. If Defra was to push for this exemption, and push for farm visits to be funded from modulated EU funds, these are clearly both moves that would be supported by the EU Commission – they would be pushing at an open door.

We have a 170ha arable farm near Faringdon in Oxfordshire. I am also training coordinator for Linking Environment and Farming (LEAF) that organises Open Farm Sunday. I managed the event for LEAF in 2010. I am also director of Farming in the Park, that plans to bring a major food and farming festival to Hyde Park in September 2013. I am also editor of Crop Production Magazine (CPM). The views expressed are my own, and not those of the organisations I represent.

11 November 2011
Written evidence submitted by the Tenant Farmers Association (TFA) (GCAP 03)

1. **Introduction**

1.1 The Tenant Farmers Association (TFA) welcomes the opportunity of providing evidence to the Select Committee as part of its Inquiry into the Common Agricultural Policy (CAP) Reform proposals tabled by the European Commission.

1.2 The TFA takes note of the terms of reference of the Inquiry which focus on the proposed measures to “green” Pillar 1 of the CAP - direct payments. However, it is also noted that the Committee would welcome views on other elements of the CAP proposals. The TFA therefore provides in this written evidence views on both the greening element of Pillar 1 and other aspects of the reform package.

1.3 The TFA is the representative organisation for tenant farmers in England and Wales. As such it is the only organisation dedicated to the tenanted sector in England and Wales and is concerned to ensure that all new and amended policy respects the fact that there are individuals within the farming community who do not own the land that they farm. The TFA therefore seeks to ensure that all new policy takes into account the unique impact it may have on the tenanted sector of agriculture.

1.4 In 2010 the TFA put together a report under the heading “2020 Vision for Agriculture” which looked ahead over the 10 year period from 2010 to 2020 to establish a vision for agriculture from the perspective of its tenanted sector. Part of that publication was dedicated to the CAP and the contents of that section are included as an Annex to this evidence. It is against the benchmarks of the principles set out in the TFA’s 2020 vision that the TFA judges the package of reforms announced by the European Commission.

2. **Greening of Pillar One**

2.1 The TFA notes the European Commission’s desire to extract further environmental benefits from Pillar 1 over and above what is already achieved through Cross-Compliance. However, with the growing consensus on the global challenges which face us in the years which lie ahead, the TFA argues that the European Commission’s thinking is flawed.

2.2 With the world population already standing at 7 billion people and likely to rise to 9 billion people by the middle of the century, coupled with increasing average demand for calories, the biggest challenge for Europe and the world must be long term food security. This has to be achieved against a background of concerns about the sustainability of fossil fuels, challenges in relation to access to water and when global, agricultural input and output markets are characterised by strong volatility.

2.3 The European Union must play its part in meeting these challenges together with the rest of the global community. The operation of the Common Agricultural Policy provides the European Union with its most significant opportunity to influence the global response to the challenges which lie ahead by focusing on ensuring sustainable food production within outcome driven standards for environmental impact, animal welfare and food quality.
The TFA is concerned that the proposed elements of the greening package proposed for Pillar 1 represent an overly process driven approach in comparison to the outcome driven approach referred to above. The environmental and bio-diversity needs of individual Member States will vary enormously and the very prescriptive nature of what is required within the greening element of Pillar 1 will not do justice to this wide variation of concern. The Cross-Compliance regime, appropriately amended, provides the necessary basis of ensuring that all farms within the EU meet basic legislative, environmental and animal welfare standards. Whilst these standards are referred to as “basic” they are very often standards which are in excess of the requirements faced by producers in non-EU countries.

The correct setting for the issues of concern articulated by the intentions behind the proposals for greening Pillar 1 should be Pillar 2. Member States should have the flexibility to look at their individual needs for enhanced environmental management and to ensure that such management is promoted through a properly functioning programme delivered through Pillar 2. In view of this the TFA would argue that the greening proposals for Pillar 1 should be deleted from the legal texts and in their place Member States should be required to consider what they believe to be appropriate, enhanced environmental outcomes and the best means of achieving those outcomes in the circumstances which prevail in each Member State.

There is also a specific concern for tenant farmers. It is an obvious point that tenant farmers are required to pay a rent to their landlords for every acre of land which they hold within their tenancy agreements. Leaving land fallow in some form of ecological set-aside, as envisaged by the current proposals from the Commission, would mean that tenants could not profit from the land upon which they will be required to pay rent. This simply demonstrates the lack of clear thinking on this element of the reform package and underlines why it needs to be fundamentally re-addressed.

European producers should not be restricted in using their competitive advantage to best affect to meet the challenges which lie ahead. Of course it is important to ensure that environmental goals and objectives are met but these are properly the domain of Pillar 2 and not Pillar 1.

3. Entitlement Issues

The TFA agrees that there should continue to be a system for the delivery of direct payments which requires the occupier of land to hold sufficient entitlements to claim the payment by matching entitlements to land. The TFA does not believe it is appropriate to have a system which is based only on occupation as the benefits of such a system could be easily lost in terms of increases in land prices and more particularly land rents. Whilst there will still be an element of land price inflation under an entitlement based approach it will be much lower in comparison to the inflation that would occur with a land only system.

However, the TFA is concerned about the Commission’s proposal for the allocation for entitlements. Whilst it is noted that only those individuals who have made a valid claim on at least 1 hectare of land in 2011 will be eligible to make an application in 2014, to choose a forward date upon which the allocation of new entitlements will be based will be a recipe for disaster. Having experienced some land banking prior to the 2003 CAP reforms and more particularly between 2003 and the introduction of the Single Payment Scheme in 2005, we are fully expecting many private landowners to be reserving their positions with regard to the
reforms planned for 2014. There will be many individuals who will have met the qualification criteria of having made a valid claim in 2011 who will be able to hold back land from the marketplace, which would otherwise have been let out, to ensure that they can maximise their claims for new entitlements in 2014.

3.3 To avoid such speculation the TFA would prefer a system which used the entitlement holdings of the existing arrangements to inform the entitlement holdings for the new arrangements. The TFA does not see the benefit of losing the current entitlement system completely. The TFA has proposed that the allocation of new entitlements should be based on the number of entitlements held by individuals in 2011 subject to a maximum of the number of hectares claimed in 2014, whichever is the smaller.

3.4 In order to deal with the period of time that will have elapsed between 2011 and 2014 consenting parties should have the flexibility to affirm specific and unequivocal agreements which stipulate clearly that the eligibility to claim entitlements in 2014 based on the 2011 application has been transferred between the parties for fair value. These provisions should allow individuals to transfer the eligibility for claiming entitlements as a whole or in smaller entitlement parcels. There will also need to be provisions to allow Member States to correct injustices which may have occurred prior to 2011 where individuals have been forced to relinquish entitlements for little or no consideration in comparison to their value. This may have occurred in arrangements involving tenants on short duration agreements which have been brought to a conclusion prior to 2011.

4. Active Farmers

4.1 The TFA commends the European Commission both in its desire to ensure that only active farmers are eligible to receive entitlements and associated direct payments and in attempting to reach a workable definition for active farmers. The TFA has been concerned about individuals who are not actively managing land themselves but who are still able to access Pillar 1 and Pillar 2 schemes even where they are allowing other individuals to actively use the land upon which they are making their claims. The TFA has been a vocal advocate for the inclusion of a viable definition for active farmers in the next round of reform.

4.2 However, the TFA does not believe that the European Commission has, as yet, produced a workable solution. It appears from the draft legal texts that the Commission is attempting to hit two particular targets. The first is to ensure that only land which is being actively farmed is entitled to be used for the claiming of support, and secondly to deny access to support to those individuals for whom farming is just a small component of their wider economic interests.

4.3 The TFA believes that it is right that the European Commission should define eligible agricultural activities in the way it has done within Article 4(c) of the draft regulations. However, rather than attempting to exclude individuals for whom agriculture represents a small part of their economic activity, the TFA believes that the Commission should instead be excluding those individuals who cannot demonstrate that it is they in particular who are carrying out the eligible activities on the land upon which they are basing their claims.

4.4 Instead, the TFA believes that an active farmer should be defined as the person in practical occupation of the land being used for making the claim, who is also in close management
control of the activities on that land and bearing the entrepreneurial risk from those activities. All other individuals should be excluded and this should apply to schemes under both Pillar 1 and Pillar 2. The TFA believes that this goes to the heart of ensuring that the right people are getting the appropriate level of support.

4.5 In order to minimise the regulatory burden involved in applying this test, the TFA would see the active farmer test operating on a self-assessed (declaration) basis. Applicants would be required to ensure that they were able to meet the criteria for being defined as an active farmer and to sign a declaration to that effect when making their applications. Other than that, at the point of application, applicants would not have to submit documents to support their declaration of active farmer status. However, Member States should be then required to make compliance with the active farmer rules a point upon which applicants are inspected in the normal course of events. Only upon inspection would applicants be required to produce evidence which substantiated the declarations which they have made.

5. The Move to a Flat Rate Payment

5.1 The TFA recognises the desire of the European Commission to move all Member States towards Regional Average Payments where the regions are based on nationally selected, objective criteria.

5.2 The TFA does not oppose this move but would ask the European Commission to ensure that for those still using an historic basis (for example Wales) a reasonable length of transition is allowed. The TFA believes that to require 40% of the payment in year 1 to be based on the Regional Average Payment to be a step too far. The European Commission will be aware that England employed a seven-year transition to a Regional Average Payment. Although the scheme presented particular problems for implementation in England, the TFA would argue that regions who are still using the historic basis should be allowed at least a similar period over which to move towards a regional average basis as previously allowed in England.

5.3 The TFA notes the aspiration of the Commission to move towards a flat rate payment across the whole of the EU. However, the TFA would not endorse that approach. There remains considerable variation within each Member State to necessitate the continuance of the identification of specific regions at a sub-Member State level. The TFA does not therefore believe it is appropriate to have a standard rate across an individual Member State let alone across the whole of the European Union. Whilst the TFA accepts that the concept of a flat rate payment across the EU is only an aspiration at this stage, it is not seen as a reasonable, achievable or sustainable approach and reference to it should be removed from the proposals.

6. Payment Caps

6.1 The TFA is neither philosophically opposed to or in favour of payment caps. However, it is opposed to the current proposals as tabled by the European Commission. The TFA’s opposition is based on three elements.

(a) Firstly, the level at which reductions in payments begin to take effect is much too low. At an initial threshold of €150,000 too many farm businesses within the United Kingdom could be hit with payment reductions in comparison with farm businesses
in other Member States. If a payment cap is deemed to be necessary it should be set at a much higher level.

(b) Secondly, the steps whereby progressive reductions are made appear to be arbitrary. Again, if a cap is deemed to be necessary then it would be better to set a single rate at a reasonably high level.

(a) Thirdly, whilst the TFA welcomes the allowance for individuals to claim higher levels of payment before reduction through adding employment costs, there will be many farm businesses which will use labour in ways other than what would be a defined as straight employment (for example family labour, contract labour or volunteer labour) the value for which the applicant cannot include which seems unfair. Again, if a cap is deemed to be necessary and labour costs are to be taken into consideration then all labour should be included without exception. There are also some concerns about how this plays out in terms of extra complexity and the ability of payment agencies to cope with the level of scrutiny that would be required.

7. Young Farmers Scheme

7.1 The TFA welcomes the European Commission’s proposals to provide enhanced levels of payment to young farmers who have started their farming career within five years of 2014. However, the TFA would suggest that rather than limiting the scheme to young farmers it should be broadened to include all new entrants.

8. Small Farmers Scheme

8.1 The TFA supports the notion of a Small Farmers Scheme but considers that it would be appropriate to allow Member States to set their own limits to fit in with the very different farm structures that operate across the whole of the EU in different Member States. However, the TFA does not believe that those who are participating in the Small Farmers Scheme should be excluded from the active farmer eligibility tests. Bearing in mind the changes which the TFA has recommended to the active farmer tests as noted above, these should apply regardless of whether the applicant is taking part in the full scheme or the Small Farmer Scheme.

9. Specific Tenancy Issues

9.1 The operation of the Single Payment Scheme between 2005 and the present day has provided an important insight into the impact that policy can have on the landlord/tenant system. This experience should be used to inform the policy framework for the support arrangements in place from 2014 onwards. The TFA has been particularly concerned by tenancy agreements drawn up just prior to and over the period of the Single Payment Scheme which require tenant farmers to pass payment entitlement to landlords at the end of those tenancy agreements for little compensation in comparison to their value. The TFA believes that such practices should be outlawed in the new arrangements post 2014.

9.2 There have also been other arrangements where landlords have sought to capitalise on the value of entitlements by expressing rental formulas using the Single Payment Scheme as a basis for those formulas. Again, the TFA believes that such arrangements should be outlawed.
Both these situations represent a direct challenge to the objective of ensuring that the CAP is providing a fair standard of living to primary producers and must therefore be specifically addressed. That is not to say that the operation of the direct payment scheme should not be considered as a relevant factor in the rent review process. The TFA would only seek to outlaw those practices which seek to use rental formulas specifically related to the tenant's ability to claim direct payments.
Annex

Section 7 of the TFA’s 2020 Vision for Agriculture from the Perspective of the Tenanted Sector of Agriculture

2020 Vision for the Common Agricultural Policy

By 2020 the Common Agricultural Policy should retain a focus for ensuring that it is supporting the livelihoods of working farmers whilst providing a framework for food and environmental security.

7.1 The TFA believes that the fundamental justification for any agricultural policy which supports primary producers should be to correct apparent market failures. In this respect the TFA does not believe that the debate on agricultural policy can be starkly defined on the basis of CAP or no CAP. The issues are far more complex than that. The TFA believes, with all its failings, that the CAP is essentially attempting to address market failures. The question ought to be how the CAP should change to adequately address those failures rather than taking the line that the CAP should be abolished because of its inefficiencies.

7.2 The TFA believes that there are five principal areas of market failure that any agricultural policy should seek to address:

- As economies grow and individuals become more prosperous, they will tend to spend a diminishing proportion of their disposable income on food. This means that those who are responsible for producing food (i.e. farmers) will see a decreasing proportion of national income spent on the products which they make. This is why farmers as a group find it difficult to reap the benefits of economic growth enjoyed by others in society. As incomes rise consumers are also noted to trade up to consume more processed, prepared and restaurant food where the value added goes to parties beyond the farm gate.

- The structure of food marketing, particularly in the UK, has become such that producers face an unfair and wholly unbalanced platform upon which to do business with processors and retailers. For example, in the sugar sector there is one, single, monopoly processor in the UK which has, in the past, used its monopoly position to the disadvantage of sugar growers throughout the whole of England. In the milk sector, there are only a handful of processors and a handful of large retailers purchasing milk from those processors. Evidence produced by the Dairy Co shows that both processors and retailers have managed to maintain or increase their margins over recent years while producers have seen reductions in their margins. Across the whole range of agricultural products, producers face a very small number of large, retail outlets. This unbalanced structure leaves most producers in a very vulnerable position and even with the introduction of a food industry ombudsman these problems are likely to carry on for some time into the future.

- The market cannot deal effectively with issues of long-term food security. The UK is already in a position of only being able to satisfy 70% of its temperate food needs from domestic sources. There has never been any indication provided by previous

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1 Dairy Supply Chain Margins 2007, Dairy Co.
Governments as to when we should begin to get worried about the level of food security nationally. The TFA is concerned that the current structure of food marketing takes too much of a short-term approach to this issue and feels that there needs to be a more adequate expression of the Government policy towards food security in the long term.

- It is inherently difficult for the market to factor in increased animal welfare and environmental benefits into the pricing structure for food. UK farmers, as noted above, are facing a large degree of regulation in these areas and they are unable to pass the costs of this up the food chain. Many farmers are working hard to meet environmental and animal welfare standards and yet they have to compete for retail space with producers from elsewhere on the globe who often do not have to meet the same standards.

- Connected with the fourth point above, there is a general lack of awareness amongst consumers about the differences in quality of the products which they are purchasing when comparing UK sourced and internationally sourced products. Whilst they might see beef from Ireland, Brazil or Argentina as beef with a different label, it is the case that products from those countries are not perfect substitutes because they have been grown under different conditions and different regulations. More effort needs to be put into making sure that consumers are aware of these differences when purchasing their food.

7.3 The TFA offers the following seven principles for future reform of the CAP.

- Direct payments through Pillar 1 must continue to form the principal basis of support through the CAP.

Direct payments through Pillar 1 continue to be essential to ensure that farmers receive a fair standard of living. It is clear that the marketplace is unable to deliver sufficient profit to the farming community in order to provide for sufficient drawings and reinvestment. Whilst the introduction of a food industry ombudsman in the UK and potentially across the EU will assist, it cannot be seen as a “silver bullet”. Recent history has shown clearly that there is a built-in resistance to food price inflation to the extent that it is impossible to ever see a situation where prices in the market place will be sufficient to provide an adequate, sustainable return to primary producers.

The support available through Pillar 1 also recognizes the higher environmental and animal welfare standards to which food is produced within the EU in comparison to those countries outside the EU. These come at a cost to the farming industry. We cannot expect to have these standards maintained and at the same time withdraw the support available through Pillar 1. The extra costs faced by the domestic, farming industry are not recoverable from the market place and therefore must be recoverable through the public purse.

- Measures must be put in place to ensure that support payments do not become capitalised into land values.
A major concern for the tenanted sector is the extent to which support payments available through Pillar 1 are becoming capitalised into land values through rent. It is also of concern that land owners, even where they have tenant farmers, are increasingly able to access funding through Pillar 1 by passing on scheme conditions through contracts of tenancy. We do not believe that this is in the spirit of the CAP nor is it in keeping with the principles of the CAP to provide support to working farmers.

The TFA believes that European rules should make it clear that support payments through Pillar 1 can only be paid to active farmers. Whilst these rules exist to some extent they are open to significant abuse particularly where large landowners actively farm a small proportion of their land holding in hand and rent the remainder out. In this way they are able to acquire and control entitlements over a larger area of land than they are actively farming. Support payments should not be available to individuals owning land which is being farmed by another individual either as a result of direct claims or through contractual clauses in tenancy agreements requiring tenants to forgo payments which are reserved and claimed by the landlord. Rules must also be put in place to prevent landlords from using clauses in tenancy agreements to claim ownership of single payment scheme (or equivalent) entitlements at the end of the tenant’s period of occupation.

- **Rates of modulation should be uniform across the European Union.**

The TFA is concerned that farmers in other Member States have a competitive advantage in comparison to farmers in the UK given that they face significantly lower levels of modulation. The TFA appreciates that this is as a result of the UK’s low budget share of funding for agri-environment/Pillar 2 schemes. However, it is unfair that there should be differing levels of modulation across the EU and they should be standardised at one rate so that there is no competitive distortion between Member States.

- **All Member States should be required to have the same level of decoupling.**

As with rates of modulation, it is unfair that some Member States of the European Union are allowed to continue to provide direct, production related support in certain sectors whereas in other Member States, like the UK, the support has been decoupled. This provides an unfair competitive advantage for producers in those Member States continuing to provide coupled support and must be brought to an end at the next reform.

- **Domestic producers should be protected from imports from non-EU countries using lower environmental and animal welfare standards.**

It is wrong that domestic producers should be required to farm to high animal welfare and environmental standards when imports from other countries are allowed access to the domestic market even though they are produced with lower standards. It is of significant concern that domestic producers are priced out of the market by lower quality products and as a result we simply move to overseas the environmental and animal welfare practices which would not be tolerated at home. We must be allowed
to protect our high standards through the use of trade restrictions to block products produced using lower standards.

The EU should argue for globally recognised standards for production of food on the basis of health, welfare and environment. These should be the standards by which every country should be required to produce and those standards need to be audited at national level. Where countries are unable to reach those globally agreed standards, other nations should have the ability to restrict trade from those nations. Once those international standards have been achieved, if the EU or national governments wish to apply higher standards domestically, then producers should have access to direct funding from the state to help them meet those higher standards.

- **Market management instruments should be introduced to assist the industry in managing volatility.**

A consequence of the move away from coupled support has been a major increase in the volatility of returns to primary producers. The TFA is concerned that the considerable increase in volatility is having a negative impact on our long term food security. Despite its many shortcomings, the Common Agricultural Policy of the past did at least provide a degree of domestic stability to producers which we are now seeing reverse as the market protection the CAP afforded is removed. Whilst the volatility that is now being experienced is leading to the development of ideas for new hedge funds and futures markets, the TFA does not believe that this is a stable framework within which primary producers and their landlords can be expected to invest. The TFA believes that policy solutions need to be developed to minimise the impact of volatility on long term decision making.

The TFA believes that the CAP should create a risk management system which provides an element of insurance against both commodity and input price shocks to smooth out the peaks and troughs in both. We believe that this could be delivered through Pillar 1.

- **Measures should be put in place to protect the access of tenant farmers into Pillar 2 schemes.**

The TFA has become increasingly concerned about the extent to which land owners have been able to access agri-environment schemes even where they have tenant farmers farming their land. The rules on “management control” allow land owners to pass on scheme conditions through contracts of tenancy whilst taking the full benefit of the scheme themselves. As with access to Pillar 1 funding, we do not believe that this is in the spirit of the schemes created nor in keeping with the principles of the CAP which are aimed at providing compensatory payments to working farmers for the income foregone in participating in Pillar 2 schemes. These issues must be addressed in any future CAP reform through further European rules to protect the position of tenant farmers. The EU must ensure through an adequate audit trail that the intended beneficiaries of its policies are actually benefiting as opposed to the benefit being siphoned off by others.

*November 2011*
Written evidence submitted by Michael Cooper, Director, UK Co-ordinating Body for the Common Agricultural Policy (CAP) (GCAP 04)

Executive Summary

1. This paper summarizes the likely administrative consequences of the EC’s proposals of 12 October 2011 relating to CAP direct payments [document COM(2011) 625 final], particularly as regards ‘greening’ (Articles 29 to 33), and suggests a number of ways in which risks to implementation could be mitigated. It does not address the desirability, or otherwise, of the proposal from a policy viewpoint or speculate on the final form of the reform.

2. As at the date of writing (14 November 2011), the greening provisions had not yet been discussed in the Council Working Group on CAP Direct Payments. There has not therefore been an opportunity to hear the Commission’s detailed responses to questions from Member States.

3. Members States have been forced to reduce administrative budgets. Farmers are unable to absorb further administrative burdens in complying with scheme requirements. Paying Agencies will not be able to implement CAP reform successfully without significant simplification.

4. Given this context the most important issues from a delivery viewpoint are therefore to:-

   - limit the administrative burdens for the Paying Agencies and farmers,
   - keep the regulations clear and simple from the start,
   - clarify the meaning of definitions (e.g. eligible land), which should be clear, understandable and explained by the EC with illustrations (for example on the WikiCAP site),
   - involve Member States in drafting the implementing regulations and rules from an early stage to ensure that the knowledge and experience of the Paying Agencies are taken into account,
   - give Member States sufficient time to implement the new schemes and
   - introduce a tolerance threshold for the Land Parcel Identification System (LPIS).

General objectives

5. The main focus should be on simple rules and ease of implementation. The objective should be to:-

   - limit the administrative burdens for the Paying Agencies and farmers,
   - involve Member States in drafting implementation regulations and rules at the earliest stage possible,
• prevent the introduction of complicated rules that subsequently have to be simplified,
• clarify regulations and interpretations.

Greening - background

6. Although the EC has removed its original green cover requirement, it has retained the rest of its greening proposals, i.e. crop diversification, permanent grassland and ecological focus areas, which will attract a payment of 30% of the annual national ceiling. Organic farming will automatically benefit from the payment, while farmers in Natura 2000 areas will have to comply with the relevant requirements. These proposals represent considerable additional administrative complexity compared to the current regime.

7. Crop diversification will require Paying Agencies to validate that farms with arable land of more than 3 hectares cultivate at least three different crops, each of which must cover between 5% and 70% of the arable land. At present a single land use code covers arable crops and it will be necessary for Paying Agencies to introduce more to differentiate between different crop types. The crop diversification proposal is therefore at odds with the simplification agenda for both farmers and national administrations. The scheme that preceded SPS had 135 crop codes and the move to fewer codes under the Single Payment Scheme was a welcome simplification for customers, which also reduced the scope for audit criticism due to the entry of a wrong land use code.

8. Under the permanent grassland proposal the reference area would be evaluated on an individual holding basis rather than on a national basis at present. Member States are currently required to monitor levels of permanent grassland nationally under cross compliance and ensure that their area of permanent pasture does not reduce. In the future it will be necessary for Paying Agencies to ensure that individual farmers are not ploughing up permanent pasture. Again the proposal does not meet the simplification test.

9. The ecological focus area proposal will require farmers to ensure that at least 7% of their land, excluding permanent grassland, is left fallow or comprises landscape features, buffer strips and afforested areas. It is likely that a significant proportion of farmers would have to remove areas from production to meet the 7% requirement. This proposal will add considerable complexity to mapping and claim processing, e.g. a need to measure the area of hedges and waterways. Under the Arable Area Payments Scheme the validation of the set-aside requirement produced great scope for farmer error.

Recommendations in respect of ‘greening’ and other new elements

• Definitions (Article 4):
  o Member States need clear definitions, e.g. of eligible land, without contradictions between different policies

• The greening rules (Article 29):
  o Greening will only succeed if it is simple, clear and understandable.
• There should be no requirement to capture new geodata in the LPIS.
  • The rules should be stable for the whole period (2014-2020).
  • No additional on-the-spot checks should be added, but rather combined/integrated with existing on-the-spot checks.
  • Remote sensing should be used where feasible.
  • There should be a clear demarcation between greening, cross compliance and the baseline for agri-environmental measures (AEM). Where overlaps exist, i.e. where greening elements are already covered by cross compliance or AEM (e.g. landscape features), performance under cross compliance / AEM should be considered as fulfilling the corresponding greening element without any additional requirements.

• Crop diversification (Article 30):
  • The definition of crops should be kept clear, simple and objective.

• Permanent grassland (Article 31)
  • Compared to the present rule for maintenance of permanent grassland, the proposed new greening element would lead to a considerable increase in administrative burden.
  • The present rules should therefore be maintained.

• Ecological focus areas (Article 32)
  • Simple calculation rules should be available for farmers to ascertain whether they meet the requirement.
  • Pesticide-free areas might be added as a focus area.

• Active Farmer (Article 9)

The active farmer test as defined in the draft regulation would be extremely difficult to implement. Paying Agencies would need to collect and verify information from individual claimants on receipts from non-agriculture activities. There is no easy way of doing this.

  • Use ‘active farming’ instead of ‘active farmer’ test. Make a clear definition of active farming linked to the definition of eligibility.

  or alternatively

  • Leave Member States to define 'active farmers'.

• Capping (Article 11)
  • This rule should be optional, at least the paragraph dealing with the subtraction of salaries.
• *Small farmers (Article 47-51):*
  - The implementation of this scheme should be optional for Member States rather than compulsory.
  - Member States should be able to decide on the exact criteria.

*November 2011*
Written evidence submitted by the Country Land and Business Association (CLA) (GCAP 05)

Summary

1. This reform is a rather unprincipled set of ad hoc actions to ‘legitimise’ the CAP. A great deal more work is required to improve them and make them workable. As with other membership organisations the CLA is busy explaining the proposals to members exploring what they mean and assembling ideas for improving them. The suggestions made here are preliminary ideas and not definitive. We are still discussing them inside the CLA and with partner organisations.

2. The reforms aim to redistribute and ‘green’ the Pillar 1 direct payments and to offer the possibility of giving further help to young farmers/new entrants, farmers in less favoured areas, small farmers as well as leaving some payment coupled.

3. There are four structural points with which we disagree:
   
a. the definition of agricultural activity is too narrow, it should include reference to environmental management especially as this is a centre point of the reform;
   
b. the restriction that those establishing new entitlements in 2014 must have activated at least one hectare in 2011 is unnecessary and unreasonable to those who had made arrangement to review land occupancy in 2012;
   
c. the proposed definition of active farmers is highly discriminatory and practically inoperable, it will exclude many businesses which have followed the advice to diversify their farming businesses exploiting their assets;
   
d. the payment cutting and capping proposal is wrong in principle, will have perverse economic effects, signalling farm enlargement is undesirable and reducing labour productivity, and it will introduce enormous complication for the sake of affecting relatively few applicants.

4. The proposals on mandatory greening threaten to completely disrupt the enormous efforts the UK has put into Pillar 2 agri-environment schemes. We suggest ways this could be overcome by building on Article 29.4 of the proposals which introduce the concept of “equivalence to Mandatory Greening. If organic farming is deemed to be equivalent, then why not well-constructed agri-environment schemes, and indeed other certified farming systems such as Integrated Farming (LEAF in the UK)?

5. These ideas require further thought and teasing out. We welcome the Select Committee’s contribution to these discussions.
General points on the CAP reform

6. The CLA represents 35,000 active rural land managers and rural businesses who occupy in total about half the rural land area of England and Wales. These proposals therefore have very great impact on the businesses of our members. We therefore follow the CAP reforms very closely, and are pleased to have this opportunity to provide written evidence to the EFRA Committee.

7. The Ciolos proposals cannot be described as a far-seeing and principled reform to the CAP. Indeed they can be described as an *ad hoc* series of compromise measures which seem to be as much to do with generating public relations signals about the CAP as really changing the realities on the ground. In fairness to the Commission, the context of this reform does not lend itself to a highly principled potentially long-lasting reform. The facts that: in contrast to the early 1990s and in 2003, now there is no agreement on the worst problems of the current CAP and at the same time Europe is in deep financial crisis; we have experienced two recent commodity market spikes; the consequential volatile farming incomes; combined with the enlargement of the EU to 27 Member States (MS), and co-decision with the European Parliament all conspire to make this a highly pragmatic rather than principled reform.

8. The Commission cannot be faulted for the breadth and length of the consultation they undertook last year before they produced their consultation document in November 2010. The most conclusive result of that consultation was that there was only the tiniest support for their Option 3 which has been styled as the UK/Swedish (government) option of abandoning Pillar 1 and concentrating the CAP on Pillar 2 measures. The problem is that the chosen middle-way, the so-called 'Integration' Option 2 was very broadly specified.

9. The actions of the European Parliament did not sharpen or narrow down the real debate or provide any radical new ideas. Whilst, the report of Albert Dess MEP in February 2011 bravely tried to marry the Commission’s Pillar 1 greening to the conventional wisdom that targeted environment schemes are best done in Pillar 2, it was not well articulated, so it was widely misunderstood, and consequently amended out of sight in the all-things-to-all-men report which finally emerged from the Parliament. This gave the Commission full scope to plough on with its own ideas.

10. The Commission proposals when they were published on 12th October 2011 were therefore no great surprise (beyond a number of small but significant details). Commissioner Ciolos is trying (in his own words) to "legitimise" the CAP by:

- Making it **fairer**, an aim which it is hard to disagree. However it proposes this by a (rather modest) redistribution of Pillar 1 funds – but worryingly they are silent on the equally needed distribution of Pillar 2 funds which is hugely important to the UK.

- Dealing with what he claims are, **unjustified large payments** to large businesses, and **removing payments to inactive non-farmers**. Unfortunately the proposals introduce a contradictory definition of agricultural activity, an unfair requirement to activate payments in 2011 to be eligible to establish the new entitlements in 2014, an unworkable definition of active farmer, and economically and structurally perverse proposals to cut and cap large payments.

- Trying to encourage "**agricultural practices beneficial to the climate and environment**". This phrase will no doubt acquire sacred status, it is clearly a good
thing to do in seeking to establish more environmentally sustainable agriculture in Europe. Unfortunately the Commission insists that this be done in Pillar 1 through simple, mandatory, generalised, non-contractual, annual actions through three elements of Mandatory Greening. This is the core problem for which we tease out some suggested solutions in paragraphs 28 to 38 below.

The other main elements of the reform are:

- to try to encourage **new entrants of youngish farmers** (a laudable aim);
- to offer **more help to farming in Areas of Natural Constraints** (another laudable aim. It’s a pity that the help offered is a crude top-up payment and not linked to improving productivity of either farming or delivery of other ecosystem services;
- to enable even more **recoupling of support to production**. This is a retrograde step moving away from market orientation; and
- to **simplify payments** to a large number of Europe’s very small, and therefore almost certainly, part-time farms. This too is a sensible thing to do, although it offers no little or incentive or assistance for farm enlargement or restructuring. Neither does it address the problem of the equally large number of semi-subsistence farmers in Europe who will get no help from the CAP because they fall beneath the increased minimum requirements - with which we do not disagree.

11. All this said, and subject to what happens to the proposals as they go through the negotiation mill of co-decision by Council and Parliament, the two big changes for which this reform might come to be remembered are:

- that the scale of the CAP resources explicitly devoted to environmental delivery, i.e. Greening, which is currently about €2.5 billion per annum, and is proposed to grow six-fold to €15 billion;
- That the bulk of this expansion is through compulsory measures introduced in Pillar 1.

Put this way it might be judged that this is quite a high risk reform, especially as it is being described as an attempt to legitimise the CAP.

12. Based on the CLA concept that the CAP is Europe’s policy for achieving Food and Environmental Security, the CLA supports the idea that a significant part of the CAP budget can be justified for the delivery of environmental public goods which can only be provided by farmers (defined widely). We also were prepared to accept the judgement that to move significantly more resources into Pillar 2 was simply not a politically feasible step to take, not least because of the additional national co-financing that would be required. Thus we were not and are not shocked by Greening Pillar 1.

13. However we have always felt that the right way to arrange the delivery of the environmental goods is through multi-annual, voluntary, targeted schemes more akin to Pillar 2 agri-

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1 This is the replacement concept for what we currently call Less Favoured Areas. ANCs are intended to be more objectively evidence-based using nine biophysical criteria (soil type, temperature, altitude, slope etc). It suffers the same defect of LFA that it focuses on what these areas are not well suited for (growing agricultural crops) rather than on the environmental services for which they may well have a comparative advantage! Unfortunately the CLA has managed to get no traction for this fundamental rethink of support to Europe’s marginal areas.

2 Source European Court of Auditors Report (October 2011).

3 This assumes roughly the same scale of resource for agri-environment in Pillar 2, plus 30% of the Pillar 1 Direct Payment ceilings for the EU27 (€42.7billion x 0.3 = €12.8b per annum).
environment schemes than through annual EU wide measures. The stewardship of the environment is a long term concern and needs careful tailoring to suit the agricultural practices as well as the ecology and climate of Europe’s incredibly varied rural areas. We urged a less dogmatic approach to the Pillars, and that it was more important to get the delivery structures right. We now turn to the specific questions asked.

**Q1**          **Will the proposal to green direct payments generate significant environmental benefits?**

14. First it must be stated that it is truly extraordinary that in the Impact Assessment of these proposals there is, quite properly, a good deal of analysis of how the greening measures will interfere with farming and the consequential effects on farm income, but unforgivably, there is no attempt at all to assess if they will deliver any environmental benefit or to quantify it, especially in relation to the scale of resources proposed.

15. In member states where agri-environmental schemes are rudimentary and where cross compliance is not very demanding either, then provided they are actually implemented, the three Mandatory Greening actions do have the capacity to pull up base environmental standards somewhat over a large number of hectares. If the crop diversification restriction inhibits harmful cereal monocultures in water catchments which are rapidly depleting, as we understand happens in some parts of southern Europe, or if it limits damaging continuous cropping of forage maize in parts of the Continent as we understand is another target, then it may produce environmental benefit. Likewise if the maintenance of permanent pasture prevents in Central and Eastern Europe what happened to much semi-natural grassland in Western Europe in the last half century, that is going under the plough and in so doing emitting a large quantity of CO2 as well destroying biodiversity, then this could be hailed as an achievement worth having. Similarly if the Environmental Focus Areas mean that more ecosystems on farms survive and are better connected, then this too can provide environmental gain. The measures therefore do have some potential to provide environmental gain. However these examples do not apply to the UK situation.

16. The overall notion of Mandatory Greening (MG) is to produce small environmental gain over a large area of Europe’s agricultural land precisely by requiring all farmers to participate. This is intended to be a small further shift to more sustainable farming – an objective with which it is hard to disagree.

17. Another way of describing MG might be to suggest that the idea is to bring all Member States basic environmental management of farmland up to the standards of the best. Given that the UK considers itself to be at the high performing end of this spectrum amongst the EU27, then it is doubtful that MG itself will produce any noticeable enhancement here. A great deal depends on how MG, especially the maintenance of permanent grassland and the Ecological Focus Area are integrated with environmental stewardship. This is addressed in paragraphs 28 to 38 below.

**Q2**          **What will be the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?**

18. The answer to this question depends to a great extent to the answers given to Question 4 below, on how the MG ties in with Environmental Stewardship schemes.

19. Farmer’s organisations will no doubt spell out in detail the situations where the crop rotation requirements will require costly changes in present farming practices and structures. Great uncertainty reigns until a ‘crop’ is defined. The main examples of potential difficulty drawn to our attention are block cropping and medium sized livestock holdings.
20. Block cropping in arable farming areas offers the possibility of cost-reducing, intelligent use of machinery amongst neighbouring farmers. This may mean that one participant (and claimant’s) farm is entirely one crop in any one year, infringing the suggested three crop rule. This practice may well be environmentally benign because normal good agronomic crop rotation is practiced. Therefore to insist that each farm has simultaneously three crops may offer no environmental gain yet significant cost.

21. Livestock farms (with more than three hectares of arable crops) which have been encouraged to practice mixed farming and therefore grow some feed grains for their own use may well only have two ‘crops’, e.g. feed wheat and temporary grass. They may well also have areas of permanent pasture. Are such farms really to be required to grow very small areas of a ‘third’ crop purely to satisfy crop diversification? Is there any evidence that the biodiversity, soil conditioning or landscape gains will outweigh the costs of this crop grown for the regulations rather than the market?

22. On the face of it the EFA proposals, if clumsily implemented, have most scope to interfere with farming profitability and competitiveness. Of course if a particular farm only has grade 1 and 2 agricultural land and is intelligently and intensively cultivating all of it with high value fruit and vegetable crops, to ask him to manage 7% of such land for EFAs might be a high-cost way of delivering environment service. It would be easy to show that if all the 7% EFA were to mean taking good food-producing land out of cultivation then this would result in a significant cost to farmers, fall in their competitiveness and fall in EU food output which would have to be made up by imports from zones where we have no idea what the environmental cost would be.

23. However in reality farmers will devote their worst, not best, land to EFA. It is a complete unknown how much each farm has. This is not knowable until:
   a) we get further clarification of the precise definition of “land left fallow, terraces, landscape features, buffer strips and certain afforested areas”,
   b) there are clear decisions on whether the areas taken up by, for example such landscape features as hedgerows, copses, ditches, ponds, banks, grassy tracks, walls and so on, may be counted towards the 7%, and
   c) we know how areas under the numerous options of the Stewardship schemes in England and Wales are to be treated, do they score as EFA or not?

24. If the answers to these questions are favourable to farming then the impact of EFA on the farming activity, output and costs may be small, particularly on farms already enrolled on Stewardship schemes. If on the other hand it is ruled that the areas in 23(b) are all outside the eligible hectares of the farm and don’t count, and if the answer to 23(c) is that EFA must be in addition to any such areas under agri-environment schemes then the impacts, particularly on net incomes, will be large.

Q3 Are the greening proposals consistent with the CAP simplification agenda?

25. There are some simplifications suggested in the whole package of five regulations proposed. There is some proposed simplification of cross compliance (by removing things which should have never been included in the first place). The small farmer scheme will be helpful in several of the new Member States with millions of such farmers. The suggested structure of the Rural Development Regulation includes some useful and welcome simplification. However the bulk of the proposals for the Direct Payments system are complications not simplifications.
26. In many ways it was always delusional to suggest that we could better target the Single Payment System to achieve environmental, social and distributional objectives, adding climate change and innovation to the list of things the CAP should assist, and expect this to be a simpler policy. If we set complex policy objectives and we want the measures to be effective across the astonishing heterogeneity of the European rural space, then it is a bit optimistic to suggest this can be achieved by simple measures. The proposals shift the Single Payment scheme into a nested array of six separate elements (Basic, Mandatory Greening, Young farmers, Areas of Natural Handicap, Coupled payments and small farmers). How could this possibly be simpler? The important thing with any policy is that it cost-effectively achieves legitimate stated objectives – as ever, the objectives of most of these six elements remain stunningly opaque.

27. We single out the definition of Active Farmer (AF) and operation of Payment Cutting and Capping (PCC) to be the greatest departures from rational policy – they will cause immense administrative work for affected farmers and for the Payment Agencies for the least policy benefit. Indeed they may result in environmental deterioration as land currently receiving payment is declared ineligible under the definition of AF, and perverse effects on farm restructuring and on labour productivity due to the PCC proposal.

Q4 How can greening pillar 1 be made coherent with agri-environment schemes, and our recommendations for improving the greening proposals.

28. It is early days in exploring what will be possible to adjust and adapt the Commission’s proposals. Having digested the proposals internally, organisations are only now beginning to talk to one another and with Defra and the Commission to explore how they can be made coherent with Pillar 2 agri-environment schemes. The ideas explained below are therefore exploratory and not definitive. We have not yet sufficiently discussed them with Members or other organisations.

29. We would start by suggesting the following three principles. Greening must be done in a way that (a) it does not impair agricultural competitiveness and productivity - indeed it should improve the long term productivity and sustainability of European Farming, (b) it should deliver noticeable environmental outcomes, and (c) it should be done in any way that does not impair or disincentivise the excellent work UK (or any other EU) farmers have already done in building-up some of the best agri-environment schemes in Europe. There are very real dangers that without such principles the Member States, and farmers within those States, who have already gone furthest to positively embrace the delivery of environmental public goods could be most disrupted by the greening proposals.

30. Simply adding three Mandatory Greening obligations and not working through the implications and integration with agri-environment schemes is not good enough. On the face of it the simplest adaptation of the existing regulation to deal with this integration would be to extend the concept of “equivalence to Mandatory Greening” which is embraced in Article 29.4. This says that “Farmers complying with the requirements of” the relevant EU recognised Organic Farming certification “shall be entitled ipso facto to the payment referred to in this chapter” (the Mandatory greening payment). If organic farming is considered to be equivalent to mandatory greening, then we see no reason not to make the same allowance for farmers enrolled in suitably defined agri-environment schemes. The same principle could also be applied to other well-defined and certified farming systems such as Integrated Farm Management as developed in the UK under the LEAF scheme.
31. Every Member State is already obliged to have agri-environment schemes in their Rural Development programmes. Indeed they should be devoting at least 25% of their Pillar 2 funds to such schemes. We acknowledge that not all such schemes may lend themselves to the concept of ‘equivalent to Mandatory Greening’, but where they do, to the satisfaction of the Commission, this should be deemed sufficient for farmers to satisfy the greening requirement.

32. To take an example, we have annexed a list of the 67 options in England’s Entry Level Stewardship scheme which currently has two-thirds of English farm land enrolled. We asked which of these options a reasonable observer would score as “agricultural practices beneficial to the climate and the environment”. Our suggested scoring is that all 67 actions satisfy this. These actions are all deemed by Defra, and approved by the Commission, to be beyond cross compliance. All farmers accepted into ELS must have accumulated sufficient such ‘agricultural practices’.

33. This approach has three immediate advantages: (a) it requires eligible farmers to take no further mandatory greening actions, (b) it requires no further new checks and controls for the administration beyond the existing normal checking already in place, and (c) rewards rather than penalises those who are already doing the right thing as we require all other farmers to raise their environmental standards.

34. The intention would be that farmers essentially have the choice of satisfying Greening either by adopting the three Mandatory Greening actions, or by ‘ticking’ the I’m in an equivalent agri-environment scheme’ box. We recognise that there are at least two sets of practical and legal issue to clarify even if this proposal is accepted in principle. The first is to square the mix of annual non-contractual mandatory greening and the multi-annual contractual agri-environment agreements. The second is what payments may be made for this greening.

35. This needs a great deal more thought and discussion. It will, no doubt, be argued by some that farmers using the agri-environment equivalence route cannot seem to be paid twice for their greening actions, once from the greening element of the new Direct Payment scheme and then their Pillar 2 agri-environmental payment. We ask, why not? This is the status quo. Also it is far from clear what is the payment for the Pillar 1 Mandatory Greening. The Commission has gone to great lengths to explain that the concept is not that the Greening is done for 30% of the payment. The penalty for not greening depends on the size of the non-compliance from something very small to much more than 30%. Also the Commission proposal allows Organic producers to receive all the Direct Payment, and also any relevant Pillar 2 agri-environment payments (such as the double weighted Organic Entry Level Stewardship payment in England). We acknowledge that the appropriate P2 payment rates might be discussed.

36. These issues will be debated. Continuing with the example of England’s Entry Level Stewardship Scheme (ELS), three options seem possible.
   i. All ELS counts as equivalent to all MG and all ELS payments continue. (i.e. the organic farming-like option).
   ii. All ELS counts as equiv to all MG but then no payment can be made for ELS.
   iii. Then there are an infinite number of intermediate options where some ELS option score for some MG requirements and some ELS payment can continue. It might be possible to identify some ELS options which are deemed to be resource protection and equivalent to MG, leaving the other options in the Pillar 2 Stewardship scheme and paid for there.

37. These ideas are offered as an early contribution to how to resolve the obvious conflict between Mandatory Greening in pillar 1 and existing Pillar 2 environmental Stewardship schemes.
Because each Member State has gone about their approach to agri-environment in different ways, it is too early to say how practical the above ideas are for other Member States. Indeed we have not even explored how they fit the new Glastir Scheme in Wales.

38. It quickly becomes evident that another principle has to be debated. Does it matter if different territories implement the Greening in different ways? The Commission’s approach is to try to define ‘simple and common ways to be applied across all the regions and territories. Yet this is immediately criticised as being clumsy and unsuited to many farming systems and structures. It needs better targeting. If we then explore the possibility of each Member State or region defining its own alternative to Mandatory Greening the criticism will be that some farmers are apparently having to do more environmental work for their Greening payments than others. Can simple common measures really work across the huge variety of climate, soils, farming systems, farming structures and societal demands found in the EU?
Entry Level Stewardship and Mandatory Greening Are they equivalent? Overwhelmingly yes.

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Written evidence submitted by Rothamsted Research (GCAP 06)

We understand there is a proposal to stop ploughing out of established grass over 5 years old. This could have severe implications for grassland management in the future. If implemented it could trigger farmers to plough up pastures next spring to ‘get in under the wire’.

We also feel the Commission is still focusing on the environment when most of the rest of the world is concerned about food security. The Commission needs to give much more thought to balancing environmental concerns with food security, perhaps through Ecosystem Services (ES). There seems to be a very widely-held view that optimising ES is the best (perhaps the only?) way to deliver food security while protecting the environment and maintaining biodiversity, etc. This is summed up in the recent UK National Ecosystem Assessment, attached. In short Food security and the environment are intimately linked and it is unhelpful that some quarters treat them as separate issue. The solution to one will affect the other and likewise solutions can be developed that complement both agendas.

November 2011
Written evidence submitted by Scottish Agricultural College (SAC) (GCAP 07)

Introduction

SAC (Scottish Agricultural College) welcomes the opportunity to contribute to the Environment, Food and Rural Affairs (EFRA) Committee inquiry into EU proposals to green the CAP.

SAC is an innovative, knowledge-based organisation that supports the rural sector through research, education and expert consultancy services. SAC wishes to see, and contribute significantly to delivering, a sustainable agricultural and rural land use sector in Scotland, the UK and throughout Europe. SAC staff work in a broad range of areas (for more information see www.sac.ac.uk) and our responses to the questions below reflect this broad expertise, but draw on specific research projects where appropriate.

This response has been co-ordinated by SAC’s Rural Policy Centre (www.sac.ac.uk/ruralpolicycentre/) with several SAC staff contributing. These include:

- **Dr Davy McCracken**: Reader in Agricultural Ecology, Land Economy and Environment Research Group, SAC.
- **Dr Andrew Barnes**: Reader in Behavioural Change and Innovation, Land Economy and Environment Research Group, SAC.
- **Dr Bob Rees**: Head of the Carbon Management Centre and Reader in Low Carbon Farming, SAC.
- **Douglas Bell**: Senior Agricultural Policy Consultant, SAC.
- **Dr Anita Wreford**: Researcher, Land Economy and Environment Research Group, SAC.

This response focuses on the five areas in which the Committee particularly asked for submissions.

**Does the proposal to green direct payments generate significant environmental benefits?**

The basic principles behind some of the greening proposals (e.g. encouraging greater crop diversification, maintaining 7% ecological priority areas, extending cross-compliance to include protection for watercourses) are elements that SAC and partners have been highlighting since 2007 as having potential wider European biodiversity benefits. However, although it is proposed that 30% of the direct payment budget will have to be spent on greening measures, whether real environmental benefits do arise will depend on how these are implemented in practice. For example:

- It is possible to ‘maintain’ permanent pasture without it necessarily having any biodiversity or climate change benefits – it is the way it is ‘maintained’ that matters.
- There are no direct measures being proposed that will make a direct contribution to reducing greenhouse gas emissions from the agricultural sector.
- Increasing the diversity of crops grown at any one time has the potential to reduce landscape simplification (one of the major drivers of farmland biodiversity decline) but this depends on

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how ‘different crops’ are defined – wheat, barley and oats are all different crops, but growing these three would still result in a largely homogenous cereal landscape.

- Maintaining an ecological focus on 7% of a farm also has the potential to increase landscape heterogeneity, but currently the areas under consideration appear to be largely, if not exclusively, farmland edge habitats, including some elements that occur within fields that would reduce landscape simplification even more. Until the ‘biotopes’ that are mentioned in the draft text are defined in more detail then it is difficult to judge how useful this measure will be in practice.

With regard to the latter bullet-point, it is clear that there is currently a great deal of resistance by farmers and their representatives to making mandatory what they term ‘environmental set-aside’, and which they view as taking good farm land out of production. It is worthwhile highlighting two comments with regard to these considerations:

- In many situations, applying the ecological priority area approach would not necessarily have to involve removing land completely from production, but rather biodiversity benefits could be achieved by simply changing the intensity of management of those areas of the farm. For example, while it would not be feasible (or desirable) to plough or apply nutrients in the buffers established next to watercourses or hedgerows, such buffers would still be open and available for grazing by livestock.

- Until there is evidence that the voluntary measures being taken in England under the Campaign for the Farmed Environment are actually being applied at a scale that is appropriate to have a positive impact on biodiversity and the wider environment, making such an approach mandatory is likely to be the only way to achieve the scale of action on the ground necessary to help reverse farmland biodiversity declines, especially in the more intensively farmed regions where uptake of agri-environment schemes has been low.

Not implementing some form of greening would be a retrograde step as far as environmental issues are concerned. As SAC staff made clear in their presentations (on challenges facing climate change and biodiversity) at a Scottish Government CAP conference earlier this year, large-scale actions are needed on the ground to address climate change and biodiversity concerns effectively and only major reform of the CAP can help achieve this. For example, to meet climate change mitigation targets will require engagement from 90% of Scotland’s farmers, while the scale of loss and fragmentation of habitats in the lowlands is such that only actions focused on re-establishing ecological connectivity at the landscape scale will stand any chance of redressing the balance. The scale of action required is similar across Europe and the reform of the CAP needs to acknowledge and reflect this.

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What will be the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

The figure of 7% on which to maintain the ecological focus is based on the Swiss model and we would regard this as a reasonable starting point, which has the potential for having benefits from a biodiversity perspective if it is properly targeted and for the reasons given above. While there are concerns (particularly amongst farm businesses) that this may take good quality agricultural land out of production (and thus appears to be at odds with a drive to increase sustainable production), the Swiss experience suggests that this is not likely to interfere in any substantial way with the vast majority of farming systems in the UK. As indicated elsewhere in this submission, we see the major benefits coming from greening Pillar 1 and more effective targeting of Pillar 2. On its own, neither approach is enough.

As a starting point, it is important to highlight that the UK National Ecosystem Assessment has emphasised that biodiversity is actually fundamental to the continuing productivity of farmland. Although the need to conserve protected species and habitats of nature conservation importance is still an important part of the biodiversity agenda, there is a need to appreciate that biodiversity in its wider sense (i.e. the state of our soils and the variety, amount and condition of different habitats on our farms) is also essential to farm productivity. Hence, not addressing biodiversity and wider environmental concerns on farmland is not an option if UK and European farming systems are to remain sustainable into the future, especially given the added pressures from climate change.

Mitigation of greenhouse gas emissions is likewise critical to the sustainability of agricultural production, and there are opportunities to develop management strategies that achieve greenhouse gas mitigation, increases in biodiversity, and the long term sustainability of crop production. While there is general recognition of the importance of such actions by the farming community it remains difficult to provide adequate incentives within the current policy framework.

Agriculture will be particularly exposed to a changing climate, and the extent to which it can continue to be productive and competitive will be determined by its ability to adapt to changes. Historic removal of coupled support and proposals to move towards greener production make the industry more flexible and responsive to change. Most of the greening requirements should make the agricultural sector more resilient to climate change (and therefore able to continue to be competitive and productive) however it is important that future requirements take a holistic view of all environmental considerations, to avoid unintended consequences. For example, while there are many synergies between adaptation and mitigation strategies, there are also conflicts and trade-offs that should be considered.

At present we find that the efficiency (and therefore competitiveness) of farms within the UK ranks reasonably well against European counterparts. Some work has found that a green approach to decision-making has a positive impact on efficiency. Hence, a consequence may be benefits for decision-making, through influencing attitudes and behaviours which encourage more resource-use efficiency on the farm.

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The consistency of the greening proposals with the CAP simplification agenda

Whatever way they are implemented, it is clear that the greening proposals will add more complexity to the governance of Pillar 1. As such, they do appear at first sight to go against the CAP simplification agenda. However, that simplification agenda is aimed at reducing unnecessary complexities in the CAP while still achieving key CAP objectives. It has to be recognised that halting and reversing farmland biodiversity declines is a major undertaking and one that requires that action be taken by farmers across Europe. Hence, if the added complexity, and associated cost, of the greening measures does result in Europe meeting its 2020 biodiversity targets then in reality this should be regarded as money well spent. The key will be to ensure (as indicated elsewhere in this submission) that what is being asked of farmers will actually result in real biodiversity and environmental gains on the ground.

How can greening pillar 1 be made coherent with agri-environment schemes?

Landscape simplification is the key driver of farmland biodiversity declines but it has also become clear over the last 25 years that this cannot be addressed at the scale required solely by using agri-environment schemes. The amount of funding available is always too limited and, just as importantly, the reliance on farmers signing up voluntarily to agri-environment schemes means that potentially useful measures lose their effectiveness by being applied piecemeal across the agricultural landscape. However, as already indicated above, SAC and others have continued to highlight over the last few years that landscape simplification could be addressed and the available agri-environment funds used more effectively if all farmers were required to do more in order to qualify for Pillar I support.

Hence, the greening proposals, if implemented appropriately, do have the potential to increase the general biodiversity value of the more intensified farmland and thereby increase the probability of more targeted agri-environment actions achieving their biodiversity goals. The latter point about targeting, however, is key. It is good that agri-environment schemes have been maintained in the draft CAP reform text and that preserving and enhancing ecosystems is one of the six proposed Rural Development Programme priorities. But as a recent European Court of Auditors special report on agri-environment schemes has highlighted, in many cases across Europe, agri-environment schemes are not designed and monitored so as to deliver tangible environmental benefits; many objectives are too vague to be useful for assessing the extent to which they have been achieved; and in a number of cases, agri-environment payments were not clearly justified by the environmental pressures identified in the associated rural development payments.

Hence the greening measures in Pillar 1 will only have a real benefit if they are accompanied by better designed, targeted, implemented and monitored agri-environment schemes in Pillar 2. Farmland biodiversity and climate change concerns across Europe are potentially many and varied and as a result much of the action to date to try to address these has been spread very thinly. Establishing broad priorities could help with the targeting of actions and ensure that sufficient attention is devoted to each. To this end, SAC (working with others) has recommended that greater attention should be placed on addressing:

- The simplification of agricultural landscapes;

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7 [http://www.eca.europa.eu/portal/pls/portal/docs/1/8760788.PDF](http://www.eca.europa.eu/portal/pls/portal/docs/1/8760788.PDF)
• The increasing pressures being put on HNV farming systems;
• The excessive use of nutrients within farming systems;
• The documented declines in farmland bird populations;
• The pressures being put on semi-natural vegetation.

In this way, the greening of Pillar 1 would therefore help to improve the underlying habitat diversity occurring in many agricultural landscapes and more targeted agri-environment measures would stand a greater chance of having an impact at the farm and wider landscape level.

**Recommendations for improving the greening proposals**

From a farm business perspective, there is a strong suspicion that the proposed greening measures are a political solution to making expenditure on the CAP more palatable to the tax paying public, rather than designed particularly to deliver biodiversity or any other benefits.

The greening requirements are both described as mandatory and as a top-up which is causing confusion. It appears that while 30% of Member States' budgets will be allocated to greening at farm level, the receipt of the ‘Basic Payment’ also appears dependent on meeting the requirements. Thus greening is being viewed as ‘super cross compliance’.

While few farmers would welcome further restrictions to their land management, most can accept the requirements ‘as part of the deal’. However, where there appears little logic behind the requirements, acceptance is more difficult as illustrated by the following examples (also discussed in more detail elsewhere in this submission):

- **Crop diversity**: While crop diversity is recognised as beneficial from a biodiversity perspective, a measure clearly targeting arable monocultures appears to be a blunt instrument when applied across the whole of the EU. In much of the livestock-dominated area of Scotland, for example, where farmers perhaps grow one field of grain as stock feed, they may choose to abandon grain production rather than try to grow another two crops which may be unsuited to their farm conditions. If this measure is to be implemented a more pragmatic approach would be to use the proportion of land cropped rather than three hectares as the trigger.

- **Maintenance of permanent pasture**: How permanent pasture is defined will be critical here. While species rich swards have a biodiversity value, the proposals describe permanent pasture as leys over five years old. Scotland has a long history of grassland rotations of much longer than five years resulting in a large area of rotational grass over five years old which has little conservation value and which benefits, in terms of productivity, from being reseeded or sown to arable crops over an extended livestock oriented rotation. If farmers are to be prevented from following these rotations it again appears that competitiveness may be compromised for little environmental gain.

- **Environmental focus areas**: As discussed above, there are concerns that taking good quality farmland out of agricultural production appears at odds with a drive to increase sustainable production. While farmers will endeavour to include existing environmental features as part of their 7%, many will end up effectively setting land aside. It is currently unclear which existing features or management options will qualify but there is concern that areas already
being funded under agri-environment schemes will fall foul of a double funding trap (i.e. unable to receive funding from both Pillars of the CAP at the same time).

In reality, action at a whole farming system level is ideally the best approach to maintaining or improving biodiversity and greenhouse gas mitigation on any farm. Hence the lack of any mention of High Nature Value (HNV) farming systems is a glaring omission in the draft CAP reform text, and one that, if not addressed, will mean that the biodiversity value of Europe’s HNV farming systems will continue to decline.

The HNV farming system concept recognises that many European habitats and landscapes considered to be of high nature conservation value are intimately associated with the continuation of specific low-intensity farming systems. The underlying principles behind the development of the HNV farming concept were, and remain, that:

- Market, agricultural policy and social pressures are increasingly making such HNV farming systems economically unviable;
- Any resulting intensification or abandonment of such farming systems would adversely impact on the associated HNV;
- There is therefore a justifiable case to be made for directing additional financial support to these farming systems to help maintain the HNV.

The current European Rural Development Programme requires that all EU Member States establish a baseline of the extent of their HNV farming systems and track trends in that HNV farming system resource within the life-span of their individual Rural Development Programmes. Many Member States have made good progress in developing HNV farming indicators (e.g. Bulgaria, Estonia, Germany, Italy, Finland, Romania, Scotland) while others still have work to do (e.g. England, France, Wales). However, simply having the facility to track the downward trend in European HNV farming systems is not enough in itself.

Although no mention of HNV farming systems is made in the draft CAP reform text, it is highly likely that the extent, distribution and condition of HNV farming systems, together with the amount of CAP support being directed to these systems, will remain as a means by which the European Commission will evaluate each Member State’s Rural Development Programme post-2013. There is therefore a need to consider not only what types of HNV farming-specific support mechanisms are required but also what policy framework will ensure that such support can be implemented effectively.

Those few Member States (e.g. Bulgaria, Romania) that are currently directing specific support to HNV farming systems have done so using agri-environment measures within Pillar 2 of the CAP. This is likely to remain the main route by which any HNV support measures are developed. However, the suggestions in the current draft proposals that part of the Pillar 1 budget post-2013 could be used for coupled actions and/or targeting additional funding to areas with natural constraints, do, if implemented appropriately, appear to have the potential to be used to direct additional Pillar 1 support to HNV farming systems. However, if HNV farming systems are not highlighted as a priority

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in the text of the reformed CAP, what will encourage Member States to take the opportunity to use these funding mechanisms in that way?

Hence as it currently stands, the development of any post-2013 HNV support mechanisms will depend highly on any one Member State taking the initiative to do so. It will also depend on Member States being aware that it is possible to use both Pillar 1 and Pillar 2 to do so without breaching WTO Green Box rules\textsuperscript{11}, a concern often expressed when considering the need to provide higher support to maintain HNV system characteristics.

It is clear not only that a large proportion of Europe’s agricultural land is under HNV farming systems, but also that changes in these farming systems have increased since the European-wide changes to the CAP support mechanisms were implemented in 2005. Developing effective support mechanisms for HNV farming systems therefore must be a major consideration in the CAP reform negotiations taking place over the coming months and years.

Farming systems also offer an important scale at which to influence and control agricultural greenhouse gas emissions. Actions to reduce excessive nitrogen use within agriculture are urgently required. European landscapes currently receive 20 M tonnes of reactive nitrogen each year, much of which cascades through the environment, causing water pollution, loss of biodiversity and release of the greenhouse gas nitrous oxide\textsuperscript{12}. Greenhouse gas emissions also result from livestock farming in the form of methane production. There is a considerable body of research that has identified technically and economically efficient mechanisms for reducing such emissions from agriculture which include avoiding excessive fertiliser applications, more targeted use of inputs to match demands, and diet and genetic manipulation in livestock. An economic assessment of these measures undertaken by SAC\textsuperscript{13} has been used by the UK government in setting forthcoming carbon budgets.

In addition to the benefits that could be achieved in terms of climate change mitigation, such measures would be anticipated to have co-benefits in terms of increased biodiversity and water quality.

November 2011


\textsuperscript{13} Defra/Committee on Climate Change (2008) UK marginal cost curves for the agriculture, forestry, land-use and land-use change sector out to 2022 and to provide scenario analysis for possible abatement options out to 2050, RMP4950, Report to The Committee on Climate Change. Available online at: http://www.theccc.org.uk/pdfs/SAC-CCC\%20UK\%20MACC\%20for\%20ALULUCF\%20Final\%20Report\%202008-11.pdf
Written evidence submitted by the National Farmers’ Union (NFU) (GCAP 08)

Examination of EU proposals to “green” the Common Agricultural Policy

1. The NFU represents 55,000 farm businesses in England and Wales. In addition we have 41,000 countryside members with an interest in farming and the countryside.

Introduction

2. The NFU welcomes the opportunity to submit written evidence to the Efra select committee’s inquiry into the proposed “greening” of the Common Agricultural Policy (CAP). The NFU is currently consulting its membership on the Commission’s proposals to reform the CAP and therefore this evidence is provided on the basis of initial reactions and early assessment of those proposals.

3. The Commission’s proposals lack the necessary detail in order to carry out a full assessment of the implications of “greening” direct payments. Nevertheless, the NFU is extremely concerned that as drafted the greening requirements may lead to perverse outcomes and may undermine existing efforts to improve the natural environment via pillar 2. In addition, the measures proposed reduce the scope for market orientation of agriculture and will place limitations on production. This could undermine farming competitiveness, increase reliance on support payments and create additional bureaucracy.

4. The NFU is also concerned about the approach that might be taken by the UK government towards the Commission’s proposals. For this reason, as well as responding to the Committee’s specific questions, this response also examines certain issues concerning the UK government’s position on greening.

Specific Questions posed:

Will the proposal to green direct payments generate significant environmental benefits?

5. The Commission’s proposal for mandatory greening actions is likely to lead to more land being managed under specific environmental conditions across the EU. However we fear that the mandatory nature of the proposals will undermine existing voluntary efforts to improve the environment via agri-environment schemes as well as set-back the goodwill that has been established in the industry over the past 20 years with regards to the environment.

6. British Agriculture’s environmental awareness and its performance has improved greatly in the past 20 years.2

   a. Fertiliser use has changed significantly since the 1980s. Nitrogen application rates in England and Wales have fallen by over 30% from 1987 to 102kg/ha in 2010. This helps reduce nitrous oxide emissions and across British farmland, phosphate use was 19 kg/ha in 2010 – a 52% reduction since records began in 19833.

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1 http://ictsd.org/

2 Taken from Positive Facts about Farming http://www.nfuonline.com/News/Positive-Facts-About-Farming/?email28

3 The British Survey of Fertiliser Practice 2010
b. Pesticide usage has been declining since 1990, despite a larger area being treated each year.

c. Ammonia emissions fell by 22% between 1990 and 2009 to 288,000 tonnes.

d. These improvements are in part a result of changes of industry practice, use of precision farming techniques as well as the sustainable intensification of the agriculture.

7. In England, some 68% of UAA is covered by an agri-environment measure and a further 192,000ha of land is managed voluntarily for the environment. There is a very real danger that English farmers who have been willing partners in improving the environment will be placed at a competitive disadvantage if they are asked to do more on top of existing commitments for the environment. The objective of greening the CAP must be to bring all farmers in the EU up to the same level as the better performing countries. It should not compel those farmers who have already made significant efforts for the environment, to do more.

8. The Commission’s impact assessment considers alternative policy options as per the Commission’s original Communication document on CAP Reform (from November 2010). As such, it fails to model or quantify the environmental benefits of the proposals for greening pillar 1 based on the legislative texts published in October 2011. Instead, it refers simply to the greening measures bringing "considerable environmental benefits." Critically, it also fails to compare the effectiveness of the relatively blunt greening measures with the targeted approach of agri-environment measures through the second pillar.

9. The NFU believes that all policy making should be supported by a credible evidence base. Although we appreciate that the assessment of greening is very challenging, it is a major drawback that the accompanying impact assessments include little information on the potential enhancements to environmental performance as a result of greening.

What is the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

10. The NFU believes that the greening measures put forward by the Commission will reduce food production and will reduce the competitiveness of the agricultural industry.

Total Factor Productivity

11. Total Factor Productivity (TFP) growth in UK agriculture (i.e. total output not caused by inputs) is stagnating. Prior to 1984 TFP grew at 1.68% per annum and after that date at only 0.26%. International comparisons show that the UK has fallen far behind the leading EU countries with yield growth declining even more. Thistle et al., go on to state that "in part, the result is due to better data that incorporates more quality adjustment, but the real decline can be explained mainly by cuts in R&I, less patents, less growth in farm size and the demise of
public extension". This situation continues to date, as illustrated in recent Defra and USDA statistics below\(^7\).

12. If we look closer at yield itself, from the end of the Second World War yields were progressively increased for all crops through successive advances in plant breeding and crop protection. This trend ended in the 1990’s when improvement increases declined\(^8\). UK wheat yields have now been static for the last 15+ years.\(^9\)

\(^7\) AHDB  
\(^8\) Spink et al., 2009  
\(^9\) HGCA
Impact on agricultural incomes

13. The Commission’s Impact Assessment shows that the cost of greening for the EU as a whole would range €33 to €41/ha of eligible farmland. It concludes that farm incomes per agricultural worker will fall for all sectors across a range of policy options modelled as a result of the greening measures. However, it fails to quantify what the impacts would be on farm incomes arising from the specific proposals in the draft regulation.

14. Taking the scenarios which are presented by the Commission in the impact assessment, the largest negative impact on income per farm worker is attributed to sectors reliant on feeding grains to animals (i.e. the pigs & poultry sectors). The Impact Assessment concludes that farm incomes in the pig and poultry sector would fall by up to 25%, with the least damaging policy scenario presented being a fall of 10%. Dairy farmers would also face significant reductions in income per farm worker, with declines of around 5%. These negative impacts are as a result of increases in fodder prices. According to the Commission’s impact assessment EU wheat and sugar beet prices may increase by 3% and barley prices by 12%.

15. The Agriculture and Horticulture Development Board (AHDB) has presented a paper on the impacts of CAP Greening proposals on the agricultural sector. The report concludes that “The legislative measures, if implemented in the way they are currently set out, would seem to potentially have a large negative impact on UK combinable cropping farm-level profitability and production decisions.”

AHDB conclusions

16. Implementation of 7% EFA would have a significant effect on current average gross margins of many combinable cropping farms in the UK

17. Considering crop diversification and making the assumption that temporary grassland is not included as part of the requirements, two of the three diversification criteria – the need to restrict main crop production to 70% of the productive area and the need to produce at least three crops - will affect the rotational choice of a significant percentage of combinable cropping farm groups in GB. The need to dedicate 5% of land to a third crop is seen to be less significant because those farms producing three crops generally meet this requirement easily. The lowest percentages of combinable cropping farms affected appear to be in the most productive areas of GB, although the percentages involved are still significant. Also, the rotation criteria may have a disproportionately large impact on production of specialist crops that dominate in certain regions (e.g. spring barley in North Scotland).

18. The final potential requirements for temporary and permanent grassland could have important effects on mixed livestock and arable farms, although more detail is needed before this can be quantified. Key issues to consider are whether temporary grassland is included in the rotation requirements and whether it will be possible to rotate grassland classifications where long rotation periods exist. The potential impacts could be significant for farm practice and diversity of cropping in predominantly grassland areas.

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11 An AHDB Paper on Impacts of CAP Greening Proposals on the Agricultural sector. Research carried out by Market Intelligence Department Michael.Archer@ahdb.org.uk
19. The findings of the AHDB report leads us to query some of the results included in the Commission’s impact assessment. In particular, the IA suggests that only 51% of farms in the UK would face costs as a result of greening. The AHDB research suggests that the impact would be more far reaching than this, with ecological focus areas at the very least influencing decisions of the 104,000 farm business with cropping land\(^{12}\) in the UK.

20. A report carried out by the International Centre for Trade and Sustainable Development (ICSTD) by Professor Alan Matthews\(^{13}\) concludes that on balance the Commission’s proposals will reduce EU production capacity, at least in arable crops relative to the status quo. It finds that the implementation of greening measures will increase the costs of farming in the EU either directly or indirectly. The measures will reduce supply and increase market prices. It does note that in the longer-term, there may be a positive feedback from more sustainable agricultural practices in terms of higher yield, but the likely importance of this positive feedback is hard to quantify. The ICSTD puts the cost of greening at approximately €5 billion, an amount broadly equivalent to an increase in input costs on average by over 2%.

21. Clearly, a stronger emphasis on competitiveness intended by CAP proposals is at odds with the reduced profitability that farm businesses can expect from greening. Higher costs of production and reduced output will also impact on the rest of the supply chain. This is vital. For every extra £1 that farmers add to the economy, food manufacturers add £3.60 and wholesalers another £1.40. This impact indicates that a fall in the profitability of farming will be felt by others in the supply chain and also the wider economy.

**How consistent are the greening proposals with the CAP simplification agenda?**

22. The Commission’s proposals will lead to an increase in bureaucracy for farmers and competent authorities. The Commission’s proposals are silent on how the measures would be implemented and administered, but it is likely that farmers will have to record crop codes and record minimum and maximum areas under the crop diversification requirement. It is unclear whether they would have to submit this information to the competent authority. Similarly, there is a fear that there may need to be a re-mapping exercise to administer the ecological focus areas.

23. The greening requirements may see the proliferation of artificial land swap agreements as happened with “fruit and vegetable” entitlements in the early years of the current Single Payment Scheme. This will result in additional administration by the RPA and will come out at significant financial cost to farmers through legal fees to make such arrangements.

24. The NFU advocates a light touch approach to administration. Farmers should be able to apply for the additional payment for greening at the same time as their main aid application. They should not have to declare precisely on their aid application the conditions or locations that apply under the ecological focus area requirement or crop diversification measure. Verification of compliance should form part of the standard cross compliance checks and controls.

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\(^{13}\) [http://ictsd.org/](http://ictsd.org/)
How can greening pillar 1 be made coherent with agri-environment schemes?

25. At present, the drafting of the proposed “greening measures” appears to mean that these measures are largely focused on retention as opposed to additional active management requirements. The NFU is concerned that Defra under pressure from the environmental bodies will seek to “gold plate” the greening measures in order to enhance their environmental benefits. At the same time this would be an attractive proposition for Treasury so as to reduce national co-financing requirements if actions currently financed through the RDPE were made compulsory in pillar 1. If the UK government is successful, either at European or an English level, in enhancing the environmental outcome of greening in pillar 1, then the likelihood is that we will see those requirements encroach on existing agri-environment schemes such as the ELS and create overlap. The greater the overlap, the greater the potential negative impact on agreement holders and the need for rewriting of agreements to avoid double funding or face significant additional areas of land taken out of production. Those who have embraced the Campaign for the Farmed Environment (CFE) and have been encouraged to put substantial areas of land into key target ELS options would be particularly disadvantaged. The risk is that English farmers will be required to “pay twice” for the environment and be placed at a competitive disadvantage. Should the goalposts change as a result of the Commission’s plans to introduce “greening” it is imperative that farmers within existing agri-environment schemes are treated fairly and have the ability to withdraw from the scheme without penalties, or requirement to pay back money.

Position of UK government on greening

26. The UK government has yet to take a clear and detailed position on the Commission’s proposals and at times its position has appeared to be both ambiguous and contradictory. The government appears to share the NFU’s concern about the potential negative impact of proposals on agri-environmental programmes and has argued that it does not want to disadvantage UK farmers. Nevertheless, the NFU is concerned that the government’s position at this stage could lead it to negotiate an outcome to the reform package that is counter-productive to the competitiveness of UK, especially English, agriculture. Our fears are based on two key elements.

Pillar 2 funding and modulation

27. Both the UK government and the NFU believe that the next multi-annual financial framework for the EU (MFF) must allocate a fairer share of core EU rural development funding to the UK. We see this as part of the need to see a more equitable distribution of the budget and to ensure that voluntary national modulation can be eliminated. The UK government appears to want to retain voluntary modulation in order to provide additional funding to extend agri-environment schemes after 2013, despite the additional greening of direct payments. The NFU believes this approach would leave English/UK farmers at a competitive disadvantage to our neighbours who would choose not to apply such modulation. Indeed, the Commission has proposed that those member states who currently receive less than 90% of the EU average payment (including the UK) should be able to move money from pillar 2 to the direct payments envelope.

Making greening meaningful

28. The government has suggested in the Council of Ministers that it does not see the Commission’s proposals as ‘meaningful’. It is not clear what the government is arguing for. Is
this a restatement of its position favouring more resources being shifted to Pillar 2 to support agri-environment schemes or a desire to see the greening measures proposed significantly enhanced? If it is the former, then UK government runs the risk of being marginalised within Council where few member states are convinced of the merits of extending pillar 2. This reinforces a risk that the government would choose to discriminate against its own farmers by applying modulation purely at a national level to support its ideological fixation with Pillar 2. If it is the latter, there is a risk as we saw in 2008 in the Health Check negotiations that the government will argue for the ability to apply additional national measures under pillar 1 thereby forcing farmers to adopt additional greening measures (beyond those in other member states). If it is in fact both a desire to see money move from pillar 1 to pillar 2 and an enhancement of greening, then English farmers will be seriously undermined by this approach.

29. It is essential that we receive some clarity on the UK government’s position and how its stance on greening meets its commitment to ensure that English farmers are not disadvantaged in the next round of reform.

Recommendations for improving the greening proposals.

30. The NFU is currently consulting its membership on the question of recommendations to improve the greening proposals. The NFU initial view on greening is as follows:

**NFU Initial position on “greening”**

31. The NFU supports the view of the Commission that the CAP and agriculture must be environmentally sustainable and that the CAP can play a role in addressing environmental concerns. We believe that the necessary measures already exist to protect and enhance the environment in both pillars 1 and pillar 2.

32. The European Commission has proposed that a significant element of future direct support (an amount equal to 30% of the direct payments national / regional ceiling) will be dependent on farmers fulfilling mandatory actions deemed to be beneficial to the environment. The NFU believes this approach to ‘greening’ the CAP may lead to perverse outcomes, undermining existing efforts to improve the natural environment via pillar 2, failing to deliver improvements where they are needed. In addition, the measures reduce the scope for market orientation of agriculture and will place limitations on production. This could undermining farming competitiveness as well as create additional bureaucracy.

33. The Commission argues that greening pillar 1 is necessary to better justify the payment of direct support in the future and to ensure the long term sustainability of farming systems in Europe. Yet, the effect of greening on production and market output may lead to crops being grown in inappropriate places and result in food price increases, at a time when EU consumers are battling with rising food price inflation. Limitations in supply will also have an impact on the EU food manufacturing industry, the EU’s largest employer.

34. The NFU wants to ensure that productive capacity is not lost, costs and additional bureaucracy is minimised, existing environmental efforts made by farmers are recognised, and that any unintended consequences and absurdities as a result of the greening proposals are kept to a minimum.
35. The following principles guide the NFU policy position on greening:

**Principle 1. Measures should be genuine incentives/ top-ups and participation in them voluntary for farmers.**

36. As drafted a farmer must observe the greening measures on all of his “eligible” hectares. If a farmer is in compliance he will receive an additional payment. The text suggests that participation is a mandatory condition of receiving direct payments, including the basic payment and that farmers receiving the basic payment has no option but to undertake these actions. Farmers will buy into the idea that they are performing a valued role if they are encouraged to deliver public goods via incentives rather than a regulated approach. The greening actions should not be a condition of the basic payment.

**Principle 2. A farmer who chooses to opt out of “greening” would forego the aid associated with the greening option but would face no additional penalty or sanction on their basic direct aid**

37. It is unclear what the sanction would be for a farmer who does not adopt the beneficial practices. The NFU believes that if a farmer intentionally chooses not to adopt the practices, then he should forego the greening component but no further penalties should apply to the basic payment. Any breach of eligibility or administrative rules relating to the greening practices (i.e. the wrong % for ecological focus area or the main crop exceeds the defined maximum) should incur a proportionate sanction on the additional aid top up and there should be no link to the remainder of the basic payment.

**Principle 3. Greening should not undermine participation in agri-environment schemes and should take regard of actions beneficial to the environment already in operation on the farm.**

38. There is a genuine fear amongst English farmers at present to renew or sign up to agri-environment programme. This fear manifests itself from a belief that features under agri-environment schemes such as hedges, buffer strips, conservation headlands etc, would not count towards the ecological focus areas. There is also a concern that Defra will seek to gold plate the EU greening measures to attempt to increase environmental delivery and outcomes. Once greening measures cross the line between retention towards the enhancement of environmental features, the likelihood of overlap with existing agri-environment schemes increase substantially. Should some overlap result from implementation of greening in pillar 1, it is imperative that farmers within existing agri-environment schemes are treated fairly and have the ability to withdraw from the scheme without penalties, or requirement to pay back monies granted through the agri-environment scheme. It may be the case that system of the payments under agri-environment schemes will have to be amended to reflect that the “retention” of features, now financed through greening is removed.

39. The NFU believes that it is appropriate to consider whether the additional aid should be granted “ipso facto” to further categories of farmers beyond the current derogations for organic and incompatible Natura 2000 agreements. For example, for farmers who are undertaking agri-environment commitments or are participating in equivalent certified schemes such as the integrated farm management approach.
Principle 4 Greening measures must be common, simple to understand, operate and administer.

40. The greening measures put forward at an EU level should be implemented evenly across the EU. There should be no opportunity for Member States to gold plate the measures or add in requirements beyond those stipulate at EU level.

41. Another possibility could be for the Commission to present more options, with the choice being made by farmers. It would be acceptable if we had an extended list of measures at EU level, as long as the choice of which measures to be implemented at farm level was made by the farmer himself and not on his behalf by the Government. The NFU does not support a complicated hybrid of pillar 1 / pillar 2 measures to achieve greening, or the use of “article 68” national envelopes to support specific types of farming for the environment.

42. Farmers should be able to apply for the additional payment for greening at the same time as their main aid application. A light touch approach to administrative requirements should be adopted, for example a farmer should not have to declare precisely on their aid application the conditions or locations that apply under the ecological focus area requirement or crop diversification measure. Verification of compliance should form part of the standard cross compliance checks and controls.

Principle 5 The scale of top up (as a proportion of national envelope) should be the same throughout the EU and should be kept to a minimum proportion of the budget.

43. The Commission’s proposal to assign 30% of the available funds for the “greening” payment is too high and should be reduced to reflect the positioning of financial reward above cross compliance, but below typical agri-environment payments. These measures will put some farmers in such a predicament of having to change systems or forego the payment that they will take inappropriate market based decisions, thus increasing reliance on the CAP payments. It should not be the system that dictates the business decisions; at 30% we will see distortions of management decisions and is effectively another form of recoupling.

Principle 6 Greening measures should not hinder competitiveness and food production.

44. The Commission argues that the EU should be able to contribute to rising global demand for food and to enhance agricultural competitiveness. Greening direct payments could place constraints on farming businesses that undermine their ability to compete and could reduce the EU’s productive capacity. Specifically:

7% Ecological Focus Areas

45. Setting aside 7% of the EU’s productive arable land as “Ecological Focus Areas” would result in 5.74 million hectares of land withdrawn from food and energy production (based on EU arable land area of 82 million hectares). Based on average EU wheat yields (of 5.36 tons / hectare) this would equate to 31 million tonnes of wheat production, which is more than twice the annual output of wheat production from the UK alone and almost a ¼ of EU wheat production as a whole. Every percentage of productive land set aside would result in 4.4m tonnes of wheat production lost to the EU. Clearly all lost production is not going to be in
wheat, another way to consider the impact of a loss of 5.74 million hectares is that this is broadly equivalent to the UAA in Hungary or Bulgaria or the combined UAA of Belgium, the Netherlands and Denmark.

46. It is essential that the % to be set aside as ecological focus areas is reduced and that non-productive landscape features count towards these focus areas. Land or features which gives rise to an agri-environment payment such as hedges, buffer strips and conservation headlands must also count towards these areas. Areas of farm woodland should also count towards the EFA.

3 crop diversification

47. The requirement for farmers who have more than 3ha of arable land to grow 3 different crops on their arable land will have a significant effect on current farm practices across the UK across all sectors.

48. It is extremely frustrating that the definition of a crop has not been given in the Commission proposals. The definition of a crop must be established in the broadest sense reflecting the agronomic and environmental differences of different crop productions. For example, temporary grass, winter barley, spring barley and oil-seed rape should all be classed as separate crops. This may lead to increased bureaucracy if a farmer has to record crop codes on application forms, but the alternative approach of “crop groups” will significantly reduce market orientation further.

49. Even when taking the definition of crops in the broadest sense, research carried out by the Agricultural Horticulture Development Board (AHDB) demonstrates that the requirement to have 3 crops in the rotation, with minimum and maximum area conditions attributed to those crops, would negatively affect 30% to 66.5% of farms depending upon location. The evidence also demonstrates that small farms will be proportionately more affected by this measure, with almost 70% of farms under 50ha surveyed by AHDB in all Regions in the UK unable to meet the crop diversification requirement. Implementing the requirement will be even more expensive for smaller farmers who may have to buy extra equipment of potentially get in contractors at a higher per hectare rate. Ironically, having such a low threshold will threaten the existence of small farmers in some areas.

50. The 3 ha minimum threshold should be set considerably higher to reflect the difficulties that this measure will create for smaller enterprises. We would suggest that the Commission adopts the same principle with regards “average farm structure size” that it has taken elsewhere in the proposals. For cereal farms, the average tillage area is 167ha in England. This would be a more suitable starting point for this crop diversification requirement as the use of “average” farm structure size is established elsewhere in the proposals.

51. The proposal will have an extremely perverse impact on dairy and livestock farmers who grow home grown cereals or fodder crops to supplement grass diets. A typical livestock farmer may have permanent grassland, temporary grassland and an area of cereals or forage crops (such as maize). Under the 3 crop requirement, if the area of temporary grass and cereals/forage crop exceeds 3ha, this farmer will also need to fulfil the 3 crop requirement and meet the minimum
/ maximum requirements. The Commission proposes that if the land is entirely used for grass production, then the crop diversification requirement is not relevant. The requirement for these farmers to grow at least 3 crops will discourage farmers from planting anything other than grass on their arable land and will lead to a loss in biodiversity in the countryside and an increased reliance on purchased proteins to supplement grass based diets.

52. The proposal will also have massive consequences for specialist farming systems. Many farmers opt to “contract farm” blocks of land owing to economic pressures to increase the scale of operations. There must be recognition of specialist growers with “share” or block cropping agreements and workable solutions identified. Without this, the RPA is likely to be inundated with additional bureaucracy associated with farmers carrying out “land swaps” or transfers.

53. Ironically, Commission modelling shows that crop diversification will actually increase the area of arable land in production (in the absence of ecological set aside), as land cannot always be used to produce the crop which it is best suited to. Such a policy conflicts with the increased focus on the resource efficiency agenda, as resource owners are put in a position where they cannot use their resource in the most efficient way. A dairy or livestock farmer may be forced to reduce their grassed area to comply with the maximum 70% constraint.

54. The NFU does not support the requirement to have 3 crops. We would suggest that the crop diversification requirement is set at 2 crops (one of which may be grass). Furthermore, it is important that the requirement to grow the 2 crops is across the year (i.e. the crops are not necessarily grown concurrently). Crops grown for agri-environment purposes, such as wild bird mix should also count, as well as biological control crops such as mustard.

55. The impacts of crop diversification and ecological set-aside will be far reaching across the whole of the agricultural industry. In the impact assessment published alongside the proposals, Commission modelling shows that income per worker in the pig and poultry industries could fall by 25%, and in the dairy industry it could fall by nearly 6%. Clearly the policies set out do not assist with making a secure future for farmers in the EU.

**Maintain areas under Permanent Grassland**

56. The Commission’s proposals regarding the retention of permanent grassland are particularly concerning for dairy and livestock farmers who may seek to change enterprises in the future. The definition of land classed as permanent grassland is land not in the rotation for 5 years or longer. A distinction must be made between uncultivated land and land down as a long grass ley (i.e. longer than 5 year). It should be this previously uncultivated land that it maintained in future. It is wholly unacceptable to “fossilise” parcels of agricultural land and therefore it is imperative that a farmer is able to improve long grass leys through ploughing and re-seeding and that derogations are available for farmers who are making sustainable economic decisions to change farm enterprises.

November 2011
Introduction

2. The NFU welcomes the opportunity to submit written evidence to the Efra select committee’s inquiry on the European Commission’s proposals to reform the Common Agricultural Policy (CAP). The NFU is currently consulting its membership on the Commission’s proposals to reform the CAP and therefore this evidence is provided on the basis of initial reactions and early assessment of those proposals.

3. The NFU welcomes the commitment made by the Commission in its CAP reform package to create a new partnership between Europe and its farmers through the CAP. We would strongly agree that the next decades will be a crucial period for farmers, particularly in light of food and energy security concerns amidst a growing global population. EU farmers must be in a position to make a meaningful contribution to increasing food production, whilst at the same time contending with increased volatility in agricultural markets, globalisation and dysfunctional food supply chains. It is therefore essential that the EU retains a strong common agricultural policy and that the CAP provides the right framework for capturing future opportunities. With this in mind, the NFU is concerned by a number of specific aspects of the reform package, which may result in increased bureaucracy, reduced market orientation and therefore an increase in farmers’ reliance on CAP support. Specifically:

Proposal establishing rules for direct payments

Towards a Flat Rate

4. The Commission proposes that Member States or Regions should move their direct payments towards a uniform payment rate per hectare and this should achieve a more common approach. However, there is concern amongst NFU Cymru members that the way in which the Commission proposes such a move (at least a 40% jump in the 1st year) will create significant financial upheaval in the 1st year. There is also concern that the transition period of 5 years is too abrupt. The NFU takes the view that by the end of the next financial period, the transition from the historic to the flat rate within regions must be completed.

Article 14 “Flexibility” : voluntary modulation

5. The NFU has lobbied for many years against Member States discretionary use of damaging and distortive “voluntary” modulation. The UK is currently the only Member State to apply voluntary modulation in the EU. In England, this will be at 9% in 2012. This reduction is applied in the UK, despite the UK already receiving less than 90% of the average pillar 1 support levels found in other Member States. The NFU is aware that the voluntary
modulation receipts make up a substantial element of current rural development funding, but believes that Defra should more strongly argue for a fairer allocation of rural development funds and Treasury co-financing, therefore removing the need to revert to distorting and unilateral voluntary modulation to secure funds. If the UK Government is to make use of article 14 flexibility, then it is imperative that there is a requirement for additional match funding from Treasury.

Greening

6. The NFU has submitted separate written evidence to the enquiry setting out our views on the Commission’s proposals to “green” pillar 1.

Active Farmer

7. As a principle, NFU believes that the entitlements should be held, activated and paid only to active farmers. Whilst the Commission’s intention to better define “active” farmers is to be welcomed, we see that this is very difficult to translate into concrete measures without adding further complex rules on eligibility and control bodies. The requirement that payments shall only be made to those whose annual amount of direct payments exceeds 5% of the total receipts obtained from non-agricultural activities, will create administrative complexity. We would have concern at the amount of information that would have to be submitted, and the timeliness and ability of the RPA to assess eligibility. There is a concern that some businesses which have successfully diversified would fail this test. The NFU therefore calls for the “economic” aspect of the active farmer test to be deleted.

1st Allocation of payment entitlements and national reserve

8. The NFU welcomes the requirement that in order to receive new payment entitlements in 2014, a farmer would have had to have activated at least one payment entitlement in 2011. However we are concerned that there may be a limited number of genuine hardship cases, whereby a farmer failed to make a claim in 2011. There should be provision in the national reserve for farmers to appeal the decision not to be allocated entitlements in these cases and to be awarded entitlements through a special hardship category in the national reserve. Similarly, whilst the Commission proposes that new young entrants to farmers would be allocated entitlements through the national reserve, there is no category for “new entrants” to farming. The national reserve categories should be expanded to cover new entrants. The lack of detail relating to business scissions and transfers is leading to a great deal of uncertainty in the industry, particularly for those who have recently restructured businesses or are planning on restructuring in the future. There should be clear provisions set out for such business changes and the flexibility in the national reserve to ensure that decisions to restructure ahead of the proposals being agreed do not disadvantage those involved.

Progressive reduction and capping of payment

9. The NFU is opposed in principle to capping, because a cap would act as a disincentive to achieving economies of scale. The proposals on capping will disproportionately affect UK farmers due to our larger than average farm structures which over time have consolidated to become more efficient.
10. Mitigation options: The proposals allow for “salaries effectively paid and declared by the farmer in the previous year, including taxes and social contributions related to employment” to be subtracted from the amount of aid to be capped (in addition to the 30% greening payment). It is unclear how exhaustive the definition of “salaries” would be. The proposals seem to disadvantage businesses that use contract labour rather than directly employing workers. They also disadvantage businesses that do not operate as limited companies because these structures would not take account of the cost of the owners own labour. Forcing businesses towards limited company structures is unlikely to be the most appropriate trading structure for all business. The NFU believes that all labour costs, including contract labour and business owners’ labour should be included.

11. Circumvention clause – We are very concerned by the proposal that no payment be made to businesses found to have artificially created the conditions to avoid capping. There are many genuine reasons for business structure changes in agriculture. The burden of proof will lie on all farmers to demonstrate to the competent authority that any business structure changes going forward are not as a result of capping. This will add further bureaucracy into the system for both farmers and the RPA and will do nothing to encourage businesses to take advantage of business structure efficiency improvement opportunities

**Payments to small-scale farmers and minimum claim size**

12. The proposal obliges Member States to implement a small farmers’ scheme, financed by ring fencing the money these farmers would be entitled to in a special fund, up to a maximum of 10% of the national envelope. The NFU believes that implementing the small farmers’ scheme should be discretionary for Member States to apply.

13. The RPA may see benefits in applying a simplified scheme, but given that the “active farmer” definition would not apply to these producers, it is likely that the bulk of these beneficiaries will have significant off farm income and essentially this support would be seen as a “pony paddock payment.” The NFU believes that this would reduce the legitimacy of the CAP support in the eyes of the UK taxpayer. One way of ensuring that “pony paddocks” do not benefit from this support would be to set the minimum claim size in England to 5ha. This being the case, the financial incentive for farmers to participate in this scheme would be greatly lowered and the number of claimants potentially caught by the scheme would be reduced, therefore mitigating any benefits to the RPA. The NFU is also concerned that cross compliance sanctions would not apply to these beneficiaries.

**Payments to young farmers**

14. The NFU supports the principle of incentivising young entrants into farming, but believes that the key hurdle for entrance is not the size of support payments, but the profitability of farming and accessing capital. There are administrative complexities in determining when a young farmer is now “head of the holding.” The amount of financial gain that a young farmer can receive is limited and the NFU doubts whether such an additional aid would act as an incentive to encourage young farmers. However the NFU would be supportive of efforts to ring fence money within the CAP for dedicated support for young farmers, for example through an access to guaranteed capital or low interest loan provisions.
Voluntary coupled payments
15. The NFU does not support production based support payments which distort the market. We do recognise that in certain duly justified cases, support targeted to specific sectors may be necessary. These aids must be limited to ensure that they do not cause distortions on the single market. The NFU does not support the possibility for any individual Member States to go further than existing coupled limits and therefore it is unacceptable for Member States to go beyond the 10% maximum threshold and never beyond a level “necessary to maintain current levels of production.”

Payment for area of natural constraint
16. The NFU agrees with the Commission’s proposals that this measure should remain optional at regional level and limited to no more than 5% of the available funds. Our preference would be that support for these vulnerable areas is delivered through the pillar 2, EAFRD.

Cross Compliance
17. The removal of some of the SMR provisions is to be welcomed, but this is not a meaningful simplification of the system. The changes to the GAECs including the protection of carbon rich soils, with a ban on 1st ploughing, will limit opportunities for livestock and dairy farmers. Land not defined as arable (i.e. permanent grassland) which is land not in the rotation for 5 years would face a ploughing ban, which is intolerable. This GAEC should be deleted.

Delegated Acts
18. The Commission retains the right to adopt delegated acts at a later stage of the proceedings on critical issues including greening (defining crops, areas eligible for ecological focus areas), written contracts in the sugar sector, business changes impacting on 1st allocation of entitlements etc. The NFU believes that issues such as definitions and scope of provisions must be defined in the Council and European Parliament Regulation.

Review clause (Article 15)
19. The NFU believes that the right to review the CAP proposals should be broadened to include provision for review in case of food price crisis and agricultural market developments.

Entry into force
20. The NFU insists that there must be enough time left after the political agreement for effective implementation. This means that the 1st January 2014 start date needs to be kept under review.

Proposal establishing a common organisation of the markets in agricultural products

Extending the recognition of producer organisations
21. The proposals to extend the recognition of producer organisations to all sectors covered by the single Common Market Organisation sCMO may offer some encouragement to groups of farmers to collaborate in respect of production and marketing. However, the proposals do not appear to offer the significant incentives to form POs that are offered by the fruit and vegetables regime (operational funds) and dairy package (collective bargaining).
Consequently, the NFU believes that the measures fall short of those that might help to strengthen the position of farmers within the food supply chain. Whilst the UK may have little experience of inter-branch organisations, the ideas are likely to prove popular in some other member states. It will be important to guard against such bodies leading to market exclusion by drawing up rules that might inhibit competition from producers in other parts of the EU.

**Sugar regime**

22. The NFU does not support the Commission’s proposal to remove sugar quota on 30th September 2015. English sugar beet producers would be placed at a competitive disadvantage to other Member States who did not fully restructure their industries in the 2006 sugar regime reform if this were to happen. The NFU recommends a transition of 5 years to support the aim of progressive deregulation beyond 2015. Of critical importance is the right to carry out commercial negotiations collectively on behalf of all growers through an inter-professional agreement (IPA). The Commission’s proposal weakens this provision and would risk undermining the proper functioning of the sugar supply chain.

**Proposal on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)**

23. The removal of the axes should provide greater flexibility for delivery of the rural development programmes in the future and is welcomed. With close to 80% of the available funds in England currently spent on agri-environment actions, largely focused on nature and biodiversity measures, there is an urgent need to re-balance spend to other areas of priority as identified by the EU, namely measures to improve the competitiveness of the farming sector.

24. The proposed EAFRD regulation clearly identifies that one of its key aims and objectives is to improve the competitiveness of the agricultural sector. This is to be welcomed and the Commission sets out concrete ideas for facilitating this. The strategic approach to achieving all of the Union priorities will go some way in ensuring that the Member State are obliged to consider how best to put in place the necessary actions and funds to achieve this. The creation of a European Innovation Partnership is also welcome, however it is important that EIP operational groups utilise existing partnerships and networks. In order to realise the full potential for EU funds to help deliver food security and a strong economy, complementarity between EAFRD (specifically the proposals for a European Innovation Partnership) and Horizon 2020 (the successor to the FP7 EU research & development programme) is vital. The Horizon 2020 programme must fund research which contributes to the challenge of increasing food production sustainably while the focus of EAFRD should play a greater role in enabling exploitation of the results of this research on-farm, including Community-funded KE, translation and extension services.

25. There is some concern that the regulation contains a number of unnecessary “add-on’s” for example the prize for innovation will result in significant transaction costs for those applying and it is unclear if the “prize” is envisaged to replace the support that would have been available for the project through the established programme. The performance reserve of 5% is also of concern. The allocation of the funds at such a late stage of the programming period will lead to uncertainty. There is merit in the Member State establishing milestones to
demonstrate progress towards meeting the objectives of the EAFRD, but the performance reserve itself is unnecessary.

26. The changes to the way in which the areas of less favoured areas are to be designated is also concerning. The NFU has lobbied over many years to ensure the inclusion of Field Capacity Days as a measure of natural constraint in the UK. However in many cases, it is not the existence of one factor which limits agricultural productivity in the UK, but a combination of factors. The regulation should reflect that in some cases an area may not meet the threshold for that factor, but in combination with other factors, the cumulative effects results in disadvantage. LAU 2 in the UK is defined at ward level. These boundaries change regularly and a finer scale of designation (i.e. townships of parishes) would be more appropriate. The Member State should be able to define at the level most appropriate for its mapping and administrative capacity. The threshold of 66% of that area should also be revised to 50% of the area.

27. With regards to financing, the NFU does not support the ring fencing of at least 5% of the funding for Leader. It is also disappointing that there is no requirement for Member States to co-finance the monies made available to the EAFRD as a result of capping.

28. The NFU is concerned that there may be significant overlap with some measures as outlined in the EAFRD and in the Direct Payments Regulation, namely support for areas of natural constraint, top ups for young farmers and support for small farmers.

29. Member States are expected to submit regional programmes within 6 months of the adoption of the EAFRD text. It is critical that a new programme is approved and in operation as quickly as possible from the envisaged start date of 1st January 2014 so as to ensure support can be made to farmers under the various measures in a timely manner without delays or funding voids.

30. It is disappointing that there is no clear indication of the allocation key for funds within the EAFRD for each Member States. The UK currently receives the lowest rate of EAFRD support per hectare and there is an urgent need to address this going forward. Details are scarce, but it is disappointing that an element of allocation will be on the basis of past performance. The UK past performance has been artificially inflated by the existence and utilisation of voluntary modulation to increase available funds for rural development programmes. The NFU seeks the immediate end of damaging and distortive voluntary modulation. The allocation of EAFRD 2014 – 2020 money between Member States should reflect the past performance on the basis of the total money available to previous programmes and not simply the past allocations of core EAFRD allocations.

November 2011
Written evidence submitted by the Central Association of Agricultural Valuers (GCAP 09)

1. The proposals for “Greening” direct payments tabled by the European Commission in the draft regulations issued on October 12th are extremely problematic in general and pose specific issues for the UK with its emphasis on agri-environment schemes under Pillar II. These problems lie in both what is not stated and in what is proposed. They add new levels of complexity for both claimants and payment agencies and, as drafted, risk undermining the level of agri-environment commitment in the UK.

2. The full distinction between the mandatory greening commitment and the basic payment is unclear. At present, it only seems to lie in the exclusion of the greening payment from capping.

3. Beyond that, the core issue in what is not stated is that neither the draft of the direct payments regulation nor that of the finance regulation gives any clue as to the penalty regime for breaching greening. With the clear and substantial overlaps between the greening measures and the options adopted by many farmers under ELS in England, Tir Cynnal and Tir Gofal in Wales and other agri-environment schemes elsewhere in the UK, this is already seriously disrupting potential applications for renewals of such schemes, never minding the Campaign for the Farmed Environment. In addition to the general prohibition on double funding, the finance regulation expressly forbids double funding of measures already funded under the Rural Development Regulation – yet in the UK greening, as drafted, would expressively create a conflict for many Environmental Stewardship and other agreement holders, potentially forcing them to change their agreements in ways that may not suit them or withdraw.

4. The finance regulation’s comments on permanent grassland suggest that greening is to have a separate regime from cross compliance.

5. Considering the proposals as tabled, there must be room for member state discretion over the measures. The concept of pan-European measures is understood but the differing agronomic conditions from Romania to Ireland and Sicily to Finland are such as to make this absurd in practice; it is possible that few arable farmers in Finland could sensibly comply with crop diversification.

6. It is understood that all basic payment claimants must comply with all three greening measures insofar as they have land that is “permanent grassland” or other agricultural land.

7. “Permanent grassland” – This imposes a version of the current member state level protection of such land at a farm level while the finance regulation suggests the present regime may also run in parallel. It is stressed that the definition is not limited to what any ordinary person would call permanent pasture but just to pasture land that has not been in an arable (as defined) rotation for five years. It will thus include much temporary grass – two successive three year leys would be caught – imposing a profound limitation on many livestock farms without necessarily yielding any environmental benefit. That is leading some to consider ploughing temporary grass out now until they realise they could be caught by not only the existing regime but also by the other greening measures relevant to other land.

8. This potentially raises issues now for those who have land that has been in reversion under environmental schemes.
9. It might be more rational for this rule to apply to land that requires consideration for environmental impact assessments.

10. We have yet to understand how this will work as land moves between farmers.

11. **Crop diversification** - As drafted, this risks many unintended and disruptive consequences. The minimum threshold of 3 hectares (7.5 acres) above which the arable land must be in three crops is absurdly low on any economic calculus. Few UK farmers could contemplate the current proposals on such a small acreage.

12. This is perhaps sharpest for livestock farmers, often hill farmers, who keep a small area in arable. This will often be spring barley and in areas like mid-Wales or the Lake District it may simply be that no other crop may be viable. Such a farmer with say 15 acres of spring barley is most likely when faced with crop diversification simply to abandon arable cropping with the diversity it brings and instead buy his feed in.

13. Intensive dairy farms, relying on grass and maize would be similarly non-plussed. It may on some farms have an interaction with the choice of crops for over-wintered stubbles managed under environmental schemes. It may also disrupt the management of some arable contracting arrangements and some specialist vegetable farmers.

14. We have no clue yet as to what will be defined as separate crops for this – would winter and spring barley be one crop for this or two. We do not know if all three crops have to be in the ground on May 15th or whether the assessment is to be taken over the year (raising issues over reporting and inspection).

15. It is also an administrative challenge, requiring the revival of crop codes for applications and the use of sketch maps for fields that are split between crops.

16. **Ecological Focus Areas** – Again, much remains to be clarified and understood about these but the measures mentioned so far overlap with both cross compliance (landscape features) and many agri-environment schemes (most obviously buffer strips). Not only will this tend to tighten the supply of food by reducing farming activity but it risks substantial conflict with schemes such as ELS. A farmer faced with cross compliance buffer strips, greening buffer strips and ELS buffer strips may question if he should retain his commitment to ELS given the accumulating loss of production, never minding any conflict over double funding rules as noted above. It is stressed that most arable farmers have used buffer strips to enter ELS but livestock farmers now also seem to be making greater use of them.

17. In conclusion, a common thread through much of the above is that the distinctive use in the UK, perhaps especially England, of Pillar II for agri-environment schemes is put at jeopardy by these proposals. The Commission’s desire to see more agri-environmental activity across the EU is understood but this should not be at the price of the further and more focussed progress this country has made within its limited RDR funding. At present it could appear that the UK faces problems for having been ahead of the field.

18. One solution would be a specific recognition of the problem by a provision in the EU regulations that being in an agri-environment scheme under the Rural Development Regulation would be accepted as also meeting the requirements for greening, in just the same way as the drafts
now propose that being recognised as an organic farmer is so allowed (and that with no proof of any specific environmental activity). The draft of the European Parliament’s Dess Report came close to this in the spring and this seems a means to reconcile the UK’s practical position with the Commission’s intentions.

*November 2011*
Introduction

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

2. This response focuses on the details of the inquiry questions as they relate organic farming which is the Soil Association’s area of expertise.

Executive Summary

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

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

5. In the Rural Development element, Pillar 2, the "new separate measure" for organic farming, designed to give organic farming "greater visibility", is particularly important for UK organic farmers, as we currently receive lower Pillar 2 payments in the UK than in any other EU Member State. We expect this new proposal from the European Commission to deliver a degree of fairness to British organic farmers, with a more level playing field with competitors in other EU countries than they currently enjoy'.

6. We would, however, like to see greater clarity from the Commission about what Member States will be expected to deliver through this ‘new separate measure’. We are also anxious that the innovative role of organic farming is recognised through strong involvement in the new Innovation Partnership in Pillar two.

Recommendations for amendments

7. The International Federation of Organic Agriculture (IFOAM) EU Group (of which the Soil Association is a member) has developed a number of recommendations to ensure the CAP 2014-2020 would support organic farming1. These include:

   • 8. Sufficient funding for the conversion to and maintenance of organic farming must be ensured by strengthening the 2nd pillar budget and by ring-fencing a significant share (50%) of the rural development programmes’ budget for measures that deliver to environmental objectives such as organic farming.

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1 Further information on positions taken by the European organic movement can be found at www.ifoam-eu.org/workareas/policy/php/CAP.php
- 9. Organic farming must be made a mandatory measure under the rural development programmes and should be eligible for 80% EU co-funding.

- 10. Organic farming should be specifically included as a priority in relevant rural development measures such as advisory services, investments and producer groups. Organic farms should be allowed 20% higher support rate.

- 11. The second pillar budget should increase to at least 50% of total CAP budget before 2020.

- 12. A more specific point is that the diversity of grasslands must be considered in the permanent grassland definition. Where those areas currently defined as permanent grasslands are in fact land in traditional crop rotations which include 7-10 years of grassland, such land should be eligible for return to a rotation including a grass/legume fodder crop (as per the crop diversification measures).

November 2011
Written evidence submitted by the Food and Drink Federation (FDF) (GCAP 11)

Introduction

The Food and Drink Federation (FDF) represents the UK’s food and drink manufacturing industry, the largest manufacturing sector in the country, with a Gross Value Added of about £20 billion. The UK is also the world’s eighth largest exporter of value-added food and non-alcoholic drink products, with just under £11 billion of overseas sales in 2010.

At both a UK and EU level the sector operates in increasingly open and competitive international markets. To succeed, our industries must have access to adequate supplies of raw materials that are safe, of high quality and competitively priced. We are committed customers of UK farmers, purchasing around two-thirds of the country’s agricultural output. But to supplement this supply base, we also import ingredients for further processing.

As an industry we are profoundly aware of the twin challenges of food security and climate change. We are committed to reducing our own environmental impacts and to working with others to increase resource efficiency and help protect natural capital across the whole food supply chain. We believe that sustainable food production should be the key objective of the CAP post-2013.

Summary

Although successive rounds of CAP reform are moving EU agriculture in the right direction, further reform is needed to accelerate and enhance this progress:

- EU agriculture needs to become more competitive, more innovative and more market driven, and this in turn will help farmers to become less reliant on direct payments.

- The CAP should be re-orientated to address challenges of food security and environmental pressures, including climate change.

- We need a sustainable food and farming policy, looking at the supply chain as a whole and based on resource efficiency and comparative advantage rather than historical patterns of production.

- More needs to be done to protect and enhance EU productive potential and to safeguard natural resources, such as soil and water, and to preserve biodiversity.
Answers to specific questions

Will the proposal to green direct payments generate significant environmental benefits

1. We believe that more needs to be done to protect and enhance the key natural resources on which future food production depends. But this needs to be achieved without damaging the competitiveness of EU agriculture or the sector’s ability to respond to market signals. The measures currently proposed risk reducing operational flexibility without delivering specific environmental benefits which take account of local conditions. A more targeted, incentive-based approach would seem more appropriate, though care would be needed to avoid undue complexity.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

2. Requiring a default amount of land (7%) to be taken out of production irrespective of individual circumstances seems likely to depress output and add to unit costs. A preferable approach would be to concentrate on areas of particular environmental sensitivity, e.g. water courses, field margins etc.

Consistency of the greening proposals with the CAP simplification agenda

3. There is clearly a tension between the delivery of specific environmental benefits and the need for administrative simplification and the practical management and monitoring of measures at farm level. But given the wide diversity of conditions in the EU, a “one size fits all” approach is unlikely to achieve the balance required.

How greening pillar 1 can be made coherent with agri-environment schemes

4. In the context of needing to produce more from less and with less impact, the current distinction between support for production (pillar 1) and incentivising environmental protection (pillar 2) is a false antithesis. Ideally all payments need to reflect the need to increase output sustainably while preserving natural capital.

Recommendations for improving the greening proposals

5. We believe that a more targeted, incentive-based approach focussing on areas of particular environmental sensitivity and taking account of the wide diversity of conditions in the EU would help to improve the greening proposals. The payments should also reflect the need to increase output sustainably.
The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (FDF) represents the food and drink manufacturing industry, the largest manufacturing sector in the UK, employing up to 400,000 people. The industry has an annual turnover of over £72.3bn accounting for 15% of the total manufacturing sector. Exports amount to almost £11bn of which 77% goes to EU members. The Industry buys two-thirds of all UK’s agricultural produce.

The following Associations are members of the Food and Drink Federation:

ABIM Association of Bakery Ingredient Manufacturers
ACFM Association of Cereal Food Manufacturers
BCA British Coffee Association
BOBMA British Oats and Barley Millers Association
BSIA British Starch Industry Association
BSNA British Specialist Nutrition Association
CIMA Cereal Ingredient Manufacturers’ Association
EMMA European Malt Product Manufacturers’ Association
FA Food Association
FOB Federation of Bakers
FPA Food Processors’ Association
GPA General Products Association
MSA Margarine and Spreads Association
SB Sugar Bureau
SMA Salt Manufacturers’ Association
SNACMA Snack, Nut and Crisp Manufacturers’ Association
SPA Soya Protein Association
SSA Seasoning and Spice Association
UKAMBY UK Association of Manufacturers of Bakers’ Yeast
UKHIA UK Herbal Infusions Association
UKTC UK Tea Council

Within FDF there are the following sectoral organisations:

BCCC Biscuit, Cake, Chocolate and Confectionery Group
FF Frozen Food Group
MG Meat Group
ORG Organic Group
SG Seafood Group
VEG Vegetarian (Meat-Free) Group
YOG Yoghurt and Chilled Dessert Group

November 2011
Written evidence submitted by the Society of Biology (GCAP 12)

Summary

1. The first responsibility of those developing and delivering the Common Agricultural Policy should be "do no harm".
2. A definition of permanent pasture/grassland is required which would differentiate between high nature value permanent grasslands, which are seriously threatened, and low nature value but high agricultural value intensively managed and reseeded grasslands.
3. High nature value grasslands require a clear definition and specific protection within the Common Agricultural Policy, which is lacking in the current proposals.
4. The benefits of proposed measures depend crucially on how they are implemented. Measures more clearly targeted on environmental outcomes are likely to be more effective.
5. We support significant investment through the CAP into research on and dissemination of methods for sustainable intensification.
6. If pillar one includes effective greening measures, this will free up well-targeted agri-environment schemes and budgets to address specific regional and ecological priorities.
7. While intensive farms should certainly be required to provide environmental benefits in return for support by the European taxpayer, much more effort needs to be made to develop policy instruments which also protect the most environmentally valuable farmland from intensification or abandonment.
8. Specific support for high nature value farming would be a big improvement to the current proposals.
9. Approaches such as paying the full costs of management for land which would otherwise be abandoned should be explicitly encouraged.

Introduction

Farmers and farming provides a great many benefits to society in addition to their essential role in food production. Without wishing in any way to minimise the importance of food production, we concentrate our response on these other benefits because of the focus on the enquiry on “greening”.

Will the proposal to green direct payments generate significant environmental benefits?

10. The proposal for a compulsory and substantial green requirement for farmers receiving pillar one direct payments sends a welcome signal of the fundamental importance of environmental sustainability to the long-term future of agriculture.

11. As currently drafted, however, the proposals are too loosely worded to ensure significant environmental benefits, and indeed have the potential to create significant environmental harm.

12. The first responsibility of those developing and delivering the Common Agricultural Policy should be "do no harm".

13. In particular, a definition of permanent pasture/grassland is required which would differentiate between high nature value permanent grasslands, which are seriously threatened, and low nature value but high agricultural value intensively managed and reseeded grasslands. These types of grassland provide very different benefits for society, and require different treatment
under the CAP. Intensively managed temporary grassland provides high yields of valuable fodder for livestock, and is not threatened by abandonment. High nature value grasslands provide many other services which are valued by society but not by the market. Semi-natural grassland has greatly declined in area since 1945, with losses of around 90% in the UK’s lowlands.

14. High nature value grasslands, including flower rich hay meadows, wet meadows, and semi-natural wooded pastures, support a high proportion of Europe’s agricultural biodiversity and generate significant ecosystem services including carbon storage, flood protection and cultural landscapes. Other than livestock production, many ecosystem services are higher in semi-natural than in agriculturally improved grasslands, and this can be linked partially with the higher plant richness. They are often marginally economic at best, and are under threat from abandonment or intensification. These environmentally and socially valuable grasslands require a clear definition and specific protection within the Common Agricultural Policy, which is lacking in the current proposals. Indeed, the current proposals seem to offer a perverse incentive for farmers to plough up such grasslands before the reference date of 2014. And the current definition of permanent grassland still allows member states to include annually reseeded or intensively fertilised grass in the permanent grassland category. This makes the greening mechanism completely meaningless for biodiversity and climate.

15. As we stated in an earlier response to the committee, all types of farm should be given incentives to protect and create biodiversity features such as ponds, trees and hedgerows, appropriate to the area. This is a welcome element of the current Commission proposals.

16. It is not clear that the current proposal requiring rotation of arable crops will automatically generate environmental benefits proportional to their disruptive effects on some types of farm in some agroclimatic zones. The benefits of this and the other proposed measures depend crucially on how they are implemented. Measures more clearly targeted on environmental outcomes are likely to be more effective.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

17. While there will undoubtedly be pressures on the Commission to relax some of the proposed greening requirements on the grounds that they negatively impact food production and competitiveness, we believe that significant greening of the CAP is essential to allow Europe to meet its commitments on biodiversity, climate change, nitrate pollution, water quality etc.

18. Food production is clearly central to any agricultural policy. The future of farming requires significant improvements in environmental sustainability, and we support the concept of sustainable intensification which would allow competitive food production to coexist with

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green measures. We would support specific and significant investment through the CAP into research on and dissemination of methods for sustainable intensification.

Consistency of the greening proposals with the CAP simplification agenda

19. The CAP should be as simple as possible, but must recognise the need for measures which respect regional variations in geography, climate, culture etc. Extensive systems of livestock production help to create and maintain mosaic landscapes; such systems are characteristic of family farms in remote and mountainous regions and require continued support for the ecosystem services they provide. There are also opportunities to reduce the environmental impact of large-scale intensive systems of production and this should also be encouraged. Intensive large-scale farms with extensive ecological infrastructure such as hedges, streams and woodland can make a large contribution to ecological goals in areas largely devoted to very intensive agriculture. (Indeed, one can argue convincingly that intensive farming is essential to meet Europe’s environmental requirements as well as producing food, since it spares less productive land to be managed extensively for environmental goods and services.)

How greening pillar 1 can be made coherent with agri-environment schemes

20. Agri-environment schemes alone are insufficient, since they are voluntary and underfunded. If pillar one includes significant and effective greening measures, this will free up well-targeted agri-environment schemes and budgets to address specific regional and ecological priorities.

Recommendations for improving the greening proposals

21. We agree with Zeijts et al.\(^3\) that policy should differentiate between intensively and extensively managed farmland, and recognise that it is more efficient to protect existing high nature value farmland rather than to attempt to recreate high nature value from intensive farms.

22. The proposed greening measures are likely to have more beneficial environmental effects on intensive farming areas than on those which are more biodiverse\(^4\). While intensive farms should certainly be required to provide environmental benefits in return for support by the European taxpayer, much more effort needs to be made to develop policy instruments which also protect the most environmentally valuable farmland from intensification or abandonment.

23. We recommend targeting more of the greening budget towards agricultural land which is already managed in a manner which generates high biodiversity\(^5\). The concept of high nature value farming\(^5\) is well developed within European policy, and member states are required to identify high nature value farmland. It is therefore very surprising that the commission’s greening

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proposals do not mention high nature value farming. Specific support for high nature value farming would be a big improvement to the current proposals.

24. The Commission proposes to continue to pay farmers for environmental services on the basis of income foregone and additional costs. We believe that this formula, as currently applied by many member states, is inadequate to protect the most environmentally beneficial types of farming from abandonment or intensification. Alternative approaches such as paying the full costs of management for land which would otherwise be abandoned should be explicitly encouraged, and are allowed under current WTO rules.

25. It seems perverse that the proposed scheme appears designed to pay more for the creation of new biodiversity features, agri-forestry schemes etc than for the protection of existing biodiverse farming practices and land-use types. This contradiction should be removed, or it risks encouraging farmers to destroy existing features and create new ones. An ancient wooded pasture, hedgerow, pond or flower rich hay meadow is more ecologically valuable than a new one.

26. We disagree in principle that farmers participating in the small farmers scheme should be exempted from cross compliance and the requirement to carry out agricultural practices beneficial for the climate and the environment. Small farms comprise a very significant proportion of agricultural land in some member states, and should also farm in a way that benefits the environment. But, unless the greening proposals are redrafted to deliver clearer environmental benefits, we do not think it necessary to burden small farmers with them.

Other elements of the CAP proposals.

27. The proposals should include more direct support for maintaining diverse farm animal and plant genetic resources, which themselves contribute to the genetic biodiversity of farmed land.

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The **Society of Biology** is a single unified voice for biology: advising Government and influencing policy; advancing education and professional development; supporting our members, and engaging and encouraging public interest in the life sciences. The Society of Biology is a charity, created by the unification of the Biosciences Federation and the Institute of Biology, and is building on the heritage and reputation of these two organisations to champion the study and development of biology, and provide expert guidance and opinion. The Society represents a diverse membership of over 80,000 - including practising scientists, students and interested non professionals - as individuals, or through the learned societies and other organisations listed below.

We are committed to ensuring that we provide Government and other policy makers - including funders of biological education and research – with a distinct point of access to authoritative, independent, and evidence-based opinion, representative of the widest range of bioscience disciplines.

This consultation response was developed through contributions from a task force comprising Fellows and member organisations⁷. We also appreciate the helpful comments of Guy Beaufoy, Gwyn Jones and David McCracken of the European Forum on Nature Conservation and Pastoralism.

We are pleased for this response to be publicly available and will place a version on [www.societyofbiology.org](http://www.societyofbiology.org) with permission from the select committee.


16 November 2011

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Member Organisations represented by the Society of Biology

Anatomical Society
Association for the Study of Animal Behaviour
Association of Applied Biologists
Biochemical Society
Biosciences KTN
Breakspear Hospital
British Andrology Society
British Association for Lung Research
British Association for Psychopharmacology
British Crop Production Council
British Ecological Society
British Lichen Society
British Microcirculation Society
British Mycological Society
British Neuroscience Association
British Pharmacological Society
British Phycological Society
British Society for Ecological Medicine
British Society for Immunology
British Society for Matrix Biology
British Society for Medical Mycology
British Society for Neuroendocrinology
British Society for Plant Pathology
British Society for Proteome Research
British Society for Research on Ageing
British Society for Soil Science
British Society of Animal Science
British Toxicology Society
Experimental Psychology Society
Fisheries Society of the British Isles
Genetics Society
Heads of University Biological Sciences
Heads of University Centres of Biomedical Science
Institute of Animal Technology
International Biometric Society
Laboratory Animal Science Association
Linnean Society of London
Marine Biological Association
Nutrition Society
Royal Entomological Society
Royal Microscopical Society
Science and Plants for Schools
Scottish Association for Marine Science
Society for Applied Microbiology
Society for Endocrinology
Society of Environmental Medicine

Society for Experimental Biology
Society for General Microbiology
Society for Reproduction and Fertility
Society for the Study of Human Biology
SCI Horticulture Group
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Unilever UK Ltd
Wellcome Trust
Wiley Blackwell
Written evidence submitted by Devon County Council (GCAP 13)

Introduction to Agriculture in Devon

Agriculture is an integral part of the Devon Economy and wider community. Agriculture Forestry and the Farming sector accounts for 3% of Devon’s total GVA and Employs 7% of the workforce. However it is the wider benefit of the public goods that agriculture provide, which has a much more significant impact. Tourism is Devon’s single largest industry; it is reliant upon the natural environment and Devon’s rural communities. A competitive and sustainable Agricultural industry is essential to underpin the Devon Economy and the rural communities.

Rural Research in Devon has highlighted the dependency of Devon’s agricultural industry on CAP payments (notably the Single Farm Payment and agri-environmental funding) it’s estimated that Devon receives in the order of 173 million from CAP funding which equates to approximately a third of agricultural income. Devon farmers are particularly vulnerable to changes in the CAP that could see individual payment levels fall. The dominant agricultural sector is Livestock and the average size of farm is lower than the national average.

We would encourage the continuation of direct payments, as this is vital to the profitability of farms. We would also encourage the recognition of the public benefits that agriculture provides and the continuation of agri environmental payments. However we are aware of the complex nature of the existing scheme and would not encourage a CAP reform to introduce new measures that would be even more complicated and costly to deliver.

Some of the Committee’s specific questions are addressed below:

Whether the proposal to green direct payments will generate significant environmental benefits;

In the wider sense, for example in large areas of monoculture, greening of direct payments should have a significant impact so therefore looking at the EU as a whole it is a positive thing. However for areas such as Devon which are made up of much smaller farms of which many are already in entry or higher level stewardship, the additional benefits could be negligible.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry.

Unless a farm is totally under permanent grassland, farms which have more than 3 ha of land under crop cultivation has to grow at least 3 different crops, each no less than 5% or more than 70% of the land area. We assume this is aimed primarily at large farms to reduce vast areas of ‘monoculture’ such as those in Eastern Europe, however for much smaller farms in Devon the proposals could act to limit the business flexibility for crop rotation and therefore other diversification options. For example, a small mixed farm might want to grow a bit of barley for extra feed and straw but would have to grow three crops which it may not really want. In addition, any pasture which is permanent in 2014 will have to stay that way throughout the CAP period which further reduces flexibility and ability to respond to market changes. Another dilemma for arable or mixed farmers who are seeing strong grain prices will be whether they are willing to lose land to both HLS and greening?
Recommendations for improving the greening proposals; consistency of the greening proposals with the CAP simplification agenda.

Would a simple improvement be to significantly increase the threshold of ha for crop cultivation from 3 so that the larger farms only are targeted? We would leave suggestion of the exact figure to which it should be increased to partners with more expertise in this area. This might also reduce some of the complexity of administration.

How greening pillar 1 can be made coherent with agri-environment schemes.

Farms also have to devote at least 7% of their eligible land (excluding permanent grassland) to be an ‘ecological focus area’ so where farms already have buffers and other ecological areas under entry or higher level Stewardship schemes do we assume these cannot be counted as part of the 7% because that would create issues with double funding? Therefore increasing quantities of land has to remain ‘unused’ which could dissuade farmers (particularly those with less land) from participation in stewardship. There is no clear indication in the proposals on how ‘greening’ fits with the agri-environment schemes – is there a real danger that ‘greening’ could make the entry level scheme redundant? This would be very bad news for places like Devon.

From a Devon perspective we want to see proposals managed so that they encourage farmers on all sizes of farm across the EU to undertake environmental practices while enabling smaller farms to retain the flexibility which is essential to a viable business. These businesses are key to maintaining our unique high quality environment in Devon.

In addition, the Committee welcomes interested parties’ views on other elements of the CAP proposals.

We are pleased that the EU has opted for the ‘Integration’ option which we feel is best suited to the agricultural landscape in Devon as described in the introduction above. The six priority themes cover a wide range of support and we are particularly keen to see theme 6 feature in the UK and regional programme ‘Promoting social inclusion, poverty reduction and economic development in rural areas’.

It is hoped that The UK government will actively involve local partners such as ourselves in the development of the new national and regional rural development programmes and we look forward to working together in a timely manner so that the programmes are ready to commence on 1st January 2014. We also want to maximise the opportunities for running joint programmes with the structural funds in what we hope will be a Devon Transition Area. We ask that the UK government will consult local partners on rural development measures will be included in its programmes, and on the creation of a national rural network, for which there must be the potential to build on a number of bodies already in existence.

We are very keen to build on the local delivery partnerships currently in existence, particularly Local Action Group’s to deliver the 5% ring-fenced for Leader as well as potentially joint funding programmes to include EU structural funds as well as RDP funding. The sooner we can start working towards this the better, in order that these partnerships don’t lose their impetus and stakeholder buy-in due to budget reductions in the current RDP, which has meant that some are no longer able to distribute funding.
As the committee is no doubt aware we currently have several Less Favoured Area’s in Devon and it is essential that these continue to receive the support they need through the programme. The NFU are concerned about the effects of the proposed changes to designation of LFA’s and we agree that the proposals should reflect that some LFA’s are disadvantaged because of a combination of several factors covering most of the area, and not the existence of just one factor, covering 66% of the area. We would like to see a finer scale of designation for these areas (i.e. parishes instead of wards) and the threshold changed to 50% of the area, as well as provision for combinations of factors contributing to an areas designation.

November 2011
EXECUTIVE SUMMARY

1. The CAP Proposals would kill the cane sugar refining industry by liberalising the beet sector whilst continuing to heavily regulate cane.

2. The CAP Proposal is unfair and represents a real and present threat to the 850 high quality manufacturing jobs at our East London cane sugar refinery. It is unfair because it continues to strangle cane refineries like ours by limiting our raw material supply. In stark contrast it would liberalise the beet sector, allowing it to source as much raw material, and sell as much sugar, as it wishes. Our refinery in East London will not be able to compete under these unfair terms created by the CAP Proposal.

3. “Greening” the CAP, equity of payments across Europe, simplification of legislation and young farmers are all critical debates in the context of the CAP. However, the issue at stake for us is survival and the future of those 850 high quality manufacturing jobs in East London. We welcome the opportunity to share our fears with the Committee.

4. The unfairness for us is in allowing one model of European sugar manufacturing business to have far more favourable terms of access to raw material than another. Under the current Proposal, sugar production from sugar beet would no longer be subject to production limits or quotas. That industry would be allowed to buy as much raw material as they wish without interference from legislation. We have no argument with that and would welcome the competition, provided it was fair.

5. It is not. Our cane refineries in Europe would still be limited to buying raw material from a limited number of cane sugar suppliers that cannot fulfil European refining demand. If we want to buy from other suppliers, the CAP Proposal will force us to pay a punitive import duty that effectively doubles our cost and makes us uncompetitive.

6. The result of the Proposal as it stands will not be an increasingly competitive sugar market in Europe. It will lead to an increasingly concentrated sugar market, with cane refiners killed by unfair legislation.

7. All of this would be understandable if the European Commission had a valid policy objective for wanting to kill the cane refining industry in Europe. They don’t. Europe’s cane refiners contribute to food security by allowing European consumers access to an important foodstuff through a different supply chain. They help meet a market demand in Europe for cane sugar and improve competition. They also provide valuable high quality manufacturing jobs in parts of Europe that often suffer from severe deprivation.

8. The Proposal is also perverse as it is a step backwards towards an inward-looking agricultural policy. This is contrary to the need for Europe to look outwards to grow. Killing cane refiners will mean Europe loses that outward link, when it needs to be more open.

9. Our view is that the reason why the European Commission has done half the job in their Proposal – liberalising the beet but not cane sector – is because this is the path of least resistance through the
negotiating process. There are very few Member States with cane interests. We argue that the European Commission should recognise this unfairness and make the right Proposal, not the easy one. Cane and beet should be allowed to compete in Europe’s sugar market on fair terms. If the Commission wants to liberalise the beet sector, then liberalise the cane sector as well. The 850 high quality manufacturing jobs in our refinery in East London, and cane refineries all over Europe, depend on it.

THE PROPOSALS AS THEY RELATE TO SUGAR

10. The main element of the CAP Proposal on sugar is that sugar beet and isoglucose quotas would be eliminated from the sugar marketing year 2015/16 (starting October 2015). In stark contrast, cane sugar import arrangements would remain highly restricted and regulated. This means that the beet and isoglucose sector would be liberalised but cane would not. In particular, the CAP Proposal would continue to place very strict limits on raw material supply for cane sugar refineries.

11. The effect of the CAP Proposal would be that beet and isoglucose producers could sell as much as they wish as they would have unlimited access to raw material at the market price. The CAP Proposal does not allow for the same access to raw material to cane refiners.

12. Cane refiners would continue to be limited to buying cane sugar from a small group of preferential suppliers (see annex I). Raw material supply from these countries can be purchased at zero or reduced import duty, but these countries are not traditionally significant producers and their ability to supply the EU market is in practice seriously limited by a number of factors. Higher volumes can in theory be imported from big producers but are subject to punitive import duties of €339 per tonne. This effectively doubles the market price of the raw material. This restriction would remain under the CAP Proposal.

13. We would very much like the preferential suppliers to be able to supply all of our needs, and are working with many of them to improve their production. But at the moment, and almost certainly for the lifetime of the CAP Proposal, they cannot.

14. Cane sugar refineries are already suffering badly from lack of raw material under the current Sugar CMO, agreed in 2005 and implemented in 2006. Under the current Sugar CMO the EU Commission forecast that cane sugar supplies from EPA and EBA countries would almost double, to 3.3 million tonnes by 2011/12. In fact they are likely to be less than 2 million tonnes, according to the European Commission’s own estimates. (see annex II).

15. This means that refineries like ours are running at 60 percent of capacity. Production at Thames Refinery has fallen from 1.1 million tonnes in 2009, to just 600,000 tonnes this year. This is economically crippling for a sophisticated manufacturing business where a large proportion of costs are fixed, and is not sustainable. Jobs are already at risk.
16. The solutions implemented so far by the EU Commission have provided limited relief and, in all cases, further added to the unfairness that cane refiners face versus beet processors. Tate & Lyle Sugars is currently challenging the actions of the EU Commission in the European General Court\(^1\).

THE IMPACT OF THE PROPOSALS ON THAMES REFINERY

17. The CAP Proposals would mean that our competitors in Europe, beet and isoglucose manufacturers, could rapidly increase their market share. For instance, in 2011/12, the EU Commission currently forecast that 5 million tonnes of sugar is being produced above quota. This is an extra 35 percent addition to the current EU production quota, and more than double the current production of all of the cane sugar refineries in Europe. All of this could be sold to the European market under the CAP Proposal.

18. We would not be able to compete as Thames Refinery would not be able to expand to compete, and that sugar we could produce would have its cost inflated by the legislation forcing the refinery to run at 60 percent of capacity.

19. Production from our Thames Refinery would be displaced in the marketplace with increased inward trade flows of sugar from other parts of Europe, most likely France and Germany.

20. We could, and would, continue to try to compete by differentiating our sugar in the market place. However, sugar remains a relatively homogenous product in the food manufacturing industry, where typically 70 percent of our production is consumed. Differentiation alone would not be enough to enable us to compete.

21. The inevitable conclusion would be the closure of Thames Refinery and the loss of 850 high quality manufacturing jobs in East London. There would be no offsetting benefit in the UK and arguably neither in the rest of the EU, as our production would simply be displaced by beet sugar production already being produced as out of quota sugar in countries such as France and Germany.

WHY WOULD THE EU COMMISSION PROPOSE THIS?

22. The EU Commission Impact Assessment fails to address the impact on cane sugar refiners of the CAP Proposal. This is despite our request that it should when we responded to the EU Commission consultation on the Reform of the CAP to 2020. On a number of counts our view is that the Impact Assessment fails to meet the EU Commission’s own Impact Assessment Guidelines\(^2\).

23. Nonetheless, a rudimentary economic analysis of the CAP Proposals would flag that it would destroy the cane refining industry in Europe as it does not provide fair and equal terms of access to raw materials with its competitors. It is hard to believe that the EU Commission did not fully understand this when they made the CAP Proposal.

24. We can only assume that cane refiners are not given equal treatment under the CAP Proposals as they are in a minority in Europe. Just 2 Member States rely solely on cane refining, whilst 18 rely solely on beet processing. Proposing equal treatment for cane refiners would be the right thing to do, but would clearly not be popular with a majority of Member States.

WHY SHOULD EUROPE WANT TO KEEP A CANE REFINING INDUSTRY?

25. Cane refiners are the model of choice for supplying most developed sugar markets with a wide range of innovative and competitively priced sugar products. Beet production generally only exists where historically agricultural and trade policy has protected it from external competition.

26. We are not arguing that cane sugar refineries should be the only model of sugar production in Europe. We believe that cane and beet sugar should co-exist in the European sugar market. There are a number of important reasons why co-existence of cane and beet is good for Europe.

27. Cane refiners contribute to food security goals. The definition and geographical measure of food security is far from being defined, particularly in the context of these CAP Proposals. Notwithstanding that, there can be no doubt that having manufacturing capacity that can produce sugar from a different agricultural production model and supply chain significantly contributes to food security, however that might be defined.

28. Cane refiners satisfy a consumer demand for cane sugar. Consumers are increasingly interested in the provenance and supply chain of their food. Cane sugar is different and there is a growing demand for it. For example, our Fairtrade conversion, announced in 2008, continues to progress well with farmers in Fiji and Guyana joining the original farmers in Belize that benefit from the project. All of this is possible because of a strong consumer demand for the product.

29. Cane refiners are an important part of the EU sugar market. Without them the market structure would be significantly more concentrated. Cane refiners also bring with them a different competitive dynamic through the economic linkage to the world sugar market in their cane sugar supply chains.

30. Cane refiners can help contribute to the climate change and sustainability goals of Europe. For instance, Tate & Lyle Sugars were the first European sugar producer to display our independently assessed full life-cycle carbon footprint on our best-selling sugar retail packs.

31. Cane refiners are important employers within Europe, providing high quality manufacturing jobs often in areas of high deprivation. Highly skilled engineers, chemical engineers and plant operatives are at the heart of the operation, ensuring that the maximum amount of marketable sugar is extracted from the raw material using as little energy as possible.

CONCLUSION

32. The CAP Proposals, if enacted, would likely see the end of cane sugar refining in East London, an industry started by Henry Tate and Abram Lyle in the 1870’s.
33. If cane refining was in some way uncompetitive, or contrary to wider policy objectives, one could understand and accept this. But it is not.

34. The threat to our business and employees is purely a result of the CAP Proposal unfairly discriminating against cane refiners by not allowing equal terms of access to raw material. Without that fair treatment, in a highly sophisticated manufacturing business where a large proportion of costs are fixed, there is no way in which refiners will be able to compete with a liberalised beet sector.

35. It is imperative that the CAP Proposals are modified to ensure fair terms of access to raw material for cane refiners. If the EU Commission want to propose a liberalisation of the beet sector, then the cane sector should be liberalised too. The future of 850 high quality manufacturing jobs in East London depends on it.
ANNEX I – PREFERENTIAL SUGAR SUPPLIERS

Least Developed Countries (“LDC”)

Access for LDC is unlimited and duty free

Bangladesh
Benin
Burkina Faso
Cambodia
Democratic Republic of Congo
Ethiopia
Laos
Madagascar
Malawi
Mozambique
Nepal
Senegal
Sierra Leone
Sudan
Tanzania
Togo
Zambia

Economic Partnership Agreement Countries (“EPA”)

Access for EPA is limited by safeguards and duty free

<table>
<thead>
<tr>
<th>Central Africa EPA</th>
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<tbody>
<tr>
<td>Western Africa EPA</td>
<td>Cote d’Ivoire</td>
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<tr>
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<td>Swaziland</td>
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<tr>
<td>EAC EPA</td>
<td>Kenya</td>
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<tr>
<td>Pacific EPA</td>
<td>Fiji</td>
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<td></td>
<td>Belize</td>
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<td></td>
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<td>Guyana</td>
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<td>Jamaica</td>
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<tr>
<td></td>
<td>Trinidad &amp; Tobago</td>
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</table>
CXL Countries (“CXL”)

Access for CXL countries is strictly limited by volumetric quota, and is subject to a €98 per tonne import duty.

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Australia</td>
<td>9,925</td>
</tr>
<tr>
<td>Brazil</td>
<td>334,054</td>
</tr>
<tr>
<td>Cuba</td>
<td>68,969</td>
</tr>
<tr>
<td>Any origin</td>
<td>253,977</td>
</tr>
<tr>
<td>India</td>
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</table>
ANNEX II – LDC and EPA cane sugar imports, forecast versus actual

Million tonnes, EU Commission data

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>EU Commission</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>forecast when</td>
<td>2.300</td>
<td>2.800</td>
<td>3.300</td>
<td>3.500</td>
</tr>
<tr>
<td>designing policy</td>
<td></td>
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<tr>
<td>Actual</td>
<td>1.469</td>
<td>1.783</td>
<td>1.800</td>
<td>No forecast yet available</td>
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<tr>
<td></td>
<td>(actual)</td>
<td>(actual)</td>
<td>(forecast)</td>
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November 2011
Written evidence submitted by the National Heart Forum (GCAP 15)

Summary
The National Heart Forum¹ (NHF) is an alliance of 65 organisations working to reduce the risk of avoidable chronic diseases including coronary heart disease, stroke, cancer and diabetes. The views expressed in this submission do not necessarily reflect the opinions of individual members of the alliance.

The NHF sees Common Agricultural Policy as an important lever in promoting good health amongst Europe’s citizens. The NHF is a founder and current board member of the European Public Health and Agriculture Consortium² whose aim is to create a healthier, more sustainable agriculture policy.

Europe needs a strong and effective European Common Agricultural Policy (CAP), now more than ever as witnessed by recent market volatility and global economic crisis. CAP is essential in guaranteeing how food is produced, distributed and consumed both at European and global level. Europe needs a CAP that is based on a model of how farming and food can deliver multiple benefits to society including public health where healthy foods remain the focus of agriculture policy and public health is considered as a public good.

Rather than attempt to answer the questions directly set out by the committee the NHF will set out why we believe that the adoption of public health goals within the CAP will have significant co-benefits in greening the CAP. The NHF believe that the greening of CAP could potentially have a positive impact on both food production and public health.

Response.

1. Europe needs a CAP that is based on a model of how farming and food can deliver multiple benefits to society including public health where healthy foods remain the focus of agriculture policy and public health is considered as a public good. The NHF believe that the adoption of public health goals within the CAP will have clear co-benefits with respect the current agenda to “green” the CAP.

2. Current consumption patterns in the EU are not sustainable in relation to challenges relating to public health and chronic disease, food security and climate change. Focusing only on technology to increase production and mitigate agriculture’s impact on climate is not sufficient to meet these challenges³.

3. There is a clear political mandate for these types of changes to the CAP. A recent Eurobarometer report (March 2010)⁴ showed that European citizens’ primary demand from agriculture policy safe, high quality and healthy food at an affordable price. People expect that the CAP is based on equity, the universal right to safe, affordable, nutritious food and good governance and transparency in the food supply chain, also reaching beyond the EU boundaries.

4. The citizens support a European agriculture policy that:

   - provides a decent standard of living for European farmers without detrimental impacts on agriculture and on economy of developing countries
- contributes to strategies aimed at preventing chronic diseases and at reducing health inequalities by improving the availability and access to healthy foods

- delivers a “greener” agriculture policy aimed at addressing adequately challenges of climate change and protecting the environment by reducing green house gas emissions from food production and transportation. Food and agriculture production make a substantial contribution green house gas emissions, and actions should be taken to reduce the impact on climate change

- contributes to the conservation of natural resources including those relating to biodiversity, soil, and water.

5. Today our food system supports unhealthy diets high in calories, fat and salt, and low in fruit, vegetables and grains; it is dependent on under-priced fossil fuels and does not recognise the limitations of water and land resources. Rising energy costs, losses in biodiversity, climate change and declining water and land resources threaten the future of our current food production system.

6. Diet related chronic disease is one of the major challenges for sustainable growth in the UK and across the EU. Cardiovascular disease and cancer are the major causes of death in the EU, and together with obesity and diabetes impose substantial costs to the EU Member States. Modelling work by the National Heart Forum estimates that if unchecked current obesity trends alone will cost the NHS a further £2 billion per year by 2030. Agriculture and the CAP can play a significant role in preventing chronic disease and improving health and at the same time greening the CAP.

7. In terms of public health, the future CAP needs to support healthy diets by prioritising the production of more plant based products, i.e. it should contribute to reduced consumption of products of animal origin and increased consumption of fruit, vegetables and whole grain for human consumption.

8. Diet is not only one of the primary determinants of chronic non-communicable diseases, but consumption patterns also play a role in climate change, global food security and limited land and water resources. Provision and consumption of food have a complex relationship with health and the environment. In the UK, it is estimated that production, distribution and consumption of food accounts for 22% of total greenhouse gas emissions. Current production, distribution and consumption patterns favouring highly processed foods, increased food miles, and food swaps plus excessive consumption of red meat and dairy products have a detrimental effect on the environment.

9. Livestock, both meat and dairy production, has been estimated to account for as much as 18% of total global CO2 emissions. In the EU, it is estimated that 16% of CO2 emissions come from livestock (Eurostat 2009). Shifting current dietary patterns towards plant based diets would have a larger impact on climate change than changing production methods.
10. The scale of the global water crisis is gaining increasing political importance, and is already affecting some regions of the world. Agriculture is the greatest user of water worldwide, accounting for an estimated 70% of potable water use. Agricultural water has increased during the last two decades; reasons for this include CAP subsidies for water intensive crops tended by inefficient techniques which results in farmers not paying the full price of the water used in production. Livestock production also plays a significant role. Globally, livestock uses 70 per cent of all available agricultural land, and uses 8 per cent of the global human water supply. Estimates suggests that between 15 – 23% of the world’s water is used for livestock.

11. The global spread of intensive farming has led to a major increase in the use of high protein animal feeds, comprising cereals and vegetable proteins such as soy, and is affecting global food security. It is estimated maximum world grain capacity at 3300 million tonnes per annum, only 60% more than today, and suggests that a looming gap between food production capacity and a growing global population. Western diets place huge demands on production elsewhere, 97% of the soy meal produced worldwide is used for animal feed, and exponential growth in the developing world’s demand for dairy and meat products will exacerbate global food security. Production of meat requires far more feedstock than the production of a legume, grain product, fruit, or vegetable and thus exacerbates increases in food price.

12. Moving towards plant based diets, doesn’t mean strict vegetarian or vegan diets, but reducing the amount of animal based dietary constituents, and increasing plant based constituents such as grains, legumes, fruit and vegetables. The current global average meat consumption is 100 g per person per day, with about a ten-fold variation between high-consuming and low-consuming populations. 90 g per day is proposed as a global target, with not more than 50 g per day coming from red meat.

13. Improved coherence of the European policies, including public health, food safety, trade, development, regional, environment, climate change, consumer and social policies is needed. The CAP should contribute to the optimal functioning of the food system in relation to these policy areas. Food and agriculture policy should be part of a coherent strategy to address inequalities in health outcomes.

14. Current patterns of production and consumption are neither sustainable nor realistic, and the EU policies and instruments must provide incentives to create positive change. The CAP should address extreme volatility in food prices in order not only to ensure the livelihood of farmers but also to ensure that food remains affordable. Therefore, instruments should be developed that not only manage crisis but work towards a more sustainable and fair food system, addressing concentration of power in the food system and chain supply. Whether those set out within the CAP reforms will achieve these remains to be seen.

15. EU agriculture policy can and should contribute to meeting increasing demand for food. In order to achieve this, not only technology that increases food production will be required, but incentives to move production and consumption towards increasingly plant based diets are needed. CAP tools should ensure production of foods that contribute to maintaining health, in particular fruits and vegetables. This entails less support for the production of meat and dairy.

Eurobarometer (March 2010)


UKCERK. Catering Policy (available online, http://www.ukerc.ac.uk/component/option,com_docman/task,doc_download/gid,235).

Lantmannen (2006); Livestock’s Long Shadow, United Nations Food and Agriculture Organization, Rome.

Popkin, B. M. (2009); Reducing meat consumption has multiple benefits for the world’s health. Arch.Intern.Med., 169, (6) 543-545


Friends of the Earth (2009); What’s Feeding our Food? The environmental and social aspects of the livestock sector, Friends of the Earth, London.


In response to the Environment, Food and Rural Affairs Committee’s call for evidence, abc has prepared the following submission that outlines abc’s views in terms of the recent proposals set out for CAP reform by the European Commission.

The views expressed in this submission are those of abc - the umbrella organisation for the agricultural biotechnology industry in the UK. abc, comprising of six member companies, works with the food chain and research community to invest in a broad range of crop technologies – including conventional and advanced breeding techniques, such as GM. These are designed to improve agricultural productivity by tackling challenges such as pests, diseases and changing climatic conditions whilst reducing water usage, greenhouse gas emissions and other inputs.

1. Executive Summary

1.1. abc believes it is essential that the reformed CAP delivers on the EU 2020 commitments by making agriculture more innovative and competitive, while managing its environmental impacts.

1.2. Innovation in agricultural biotechnology offers Europe the potential to accelerate this transition to a more sustainable growth model while also developing a globally competitive sector capable of generating more jobs.

1.3. UK farmers must also be given the choice to use all of the existing tools available to help them produce more food and remain globally competitive. Access to innovative biotechnology, such as GM, can help them to deliver increased yields while reducing the carbon footprint of food production.

1.4. This submission does not respond to the question of the desirability of green direct payments, as this falls outside the scope of abc’s work, but we address the wider question of the role of agricultural technologies in greening the CAP.
2. Introduction

2.1. As summarised by Paolo de Castro MEP, Chair of the EU Agriculture Committee, the challenge of reforming the CAP is for European Agriculture to ‘produce more, pollute less’.

2.2. European farmers currently meet some of the highest standards in the world on food traceability, environmental protections and animal welfare.¹

2.3. Yet, while the OECD-FAO Outlook sees the US, Canada, Australia, China, India, Russia and Latin America boosting farm output by 15-40 per cent between 2010 and 2019, it forecasts that EU production will grow by less than 4 per cent.²

2.4. Europe therefore currently utilises 30.4 million hectares (the size of Germany) outside its borders to meet its own needs.³

2.5. Unless CAP reform seeks to encourage agricultural innovations which increase yields whilst managing inputs, Europe will continue to be reliant on imports from countries with less stringent environmental standards. This will undermine attempts to ‘green’ the CAP.

2.6. abc therefore welcomes key elements of the CAP reform set out by the European Commission which focus on encouraging Innovation Partnerships and agri-environment initiatives, as outlined below.

3. Proposals for Innovation Partnerships

3.1. abc welcomes the proposal outlined by the European Commission for additional investment in research and innovation via the introduction of European Innovation Partnerships to help improve links between researchers, farmers and advisors.

3.1.1. “To produce more, with less, and better, the Commission is proposing to double the budget for agricultural research and innovation, including through a new European Innovation Partnership. These funds will support research projects relevant to farmers, encourage closer cooperation between scientists and farmers and the quicker transfer of positive results from the laboratory to the field, and provide better information and advice to farmers.”⁴

3.2. It is essential that this funding takes account of the benefits of GM technology in helping farmers to increase their yields and productivity in a sustainable way. For example:
- Crop yields can be increased by 6% - 30% on the same amount of land using GM technology.

- Fuel use and CO₂ emissions can be decreased thanks to less tillage, which also results in enhanced soil quality and lower levels of soil erosion.

- Insect damage to crops is decreased with pest resistant crops, significantly reducing the need for spraying.

- In 2010, GM cultivation led to global emissions reductions of 18 billion kg of CO₂, equivalent to 8 million fewer cars on the road for one year.

3.3. Investment in a combination of conventional plant breeding and GM has seen the rate of yield increase in North America greatly exceed yield gains in Europe over the last 15 years:

- In the UK the rate of increase in rapeseed yields since 1995 has been around 0.5% per year, in contrast Canada has seen rapeseed yields increase at more than 3% per year.

- Average yields of maize in France have gone from one tonne per hectare more than the USA in 2000 to one tonne less than the USA in 2009.

- Between 1996 and 2009, 229 million tonnes of additional food, feed and fibre were produced globally thanks to GM crops. Without this GM technology, an additional 75 million hectares of conventional crops would have been required to produce the same tonnage.

3.4. Europe is therefore failing to maximise rural incomes and competitiveness, using more land and resources than necessary to grow crops and is continuing to erode the industrial R&D base which is required to catch up with global competitors and be responsive to climate change.

3.5. In addition to extra investment in innovation by the European Commission, abc would therefore also welcome proposals to reform the regulatory environment to encourage greater private investment in GM technology.

4. Proposals for agri-environmental initiatives

4.1. abc also welcomes the European Commission’s proposals to encourage agri-environmental initiatives:

4.1.1. *The specificities of each territory should be taken into account and environmental initiatives will be encouraged at national, regional and local level. For this, the*
Commission is proposing two specific Rural Development policy priorities for restoring, preserving and enhancing ecosystems and for resource efficiency & the fight against climate change. vii

4.2. GM technology has an important role to play in terms of increasing the resource efficiency of agriculture, and helping farmers to adapt to a changing climate:

- Pest-resistant GM crops are already providing stable food and commodity supplies and in the future crops suited to climate change adaptation will play a crucial role in helping farmers cope.
- Research is underway to develop drought tolerant crops, such as maize, which can maintain and even increase crop yields despite changes in water supply. These varieties could produce 2 million more tonnes of food under moderate drought conditions. viii
- GM crops can also protect soils from erosion and compaction through less ploughing and tilling, conserving soil moisture in the process.
- Insect damage to crops is decreased with pest resistant crops, significantly reducing the need for spraying.

4.3. It is therefore important to give UK farmers access to the full range of technological innovations and tools currently available to farmers outside of the European Union.

4.4. However, the current regulatory system of approval for GM technologies in Europe is not functioning. The delays in authorising GM crops deemed to be safe by European scientists of the European Food Safety Authority has made it difficult for farmers to access these crops.ix Nevertheless, where GM crops are permitted and respond to challenges farmers face, such as maize resistant to the European Corn Borer (ECB) in Spain, their hectarage is increasing year by year.x

4.5. To date only two products have been approved for use in Europe and many other products have waited for years for approval or otherwise due to political interference in what should be a science based assessment process.xi

5. Other areas to consider in ‘greening’ the CAP

5.1. abc believes that the CAP should be more specific in incentivising agricultural practices, sectors and technologies to ensure that CAP reform will effectively contribute to the objectives of President Barroso’s EU 2020 strategy for smart, sustainable and inclusive growth.

5.2. The challenges of feeding a growing population, using finite resources, mitigating climate change and encouraging innovation require a common effort from policy makers and industry.
5.3. Agricultural innovation and biotechnology research both have a role to play to increase resource efficiency in the agricultural sector. Moreover, such biotechnological advances can benefit Europe’s farmers and rural economies, and bring new business and job opportunities, which are essential if Europe is to become more competitive and more self-sufficient.

5.4. EU farmers and agricultural biotechnology companies are already committed to playing an active and positive role in protecting the environment and tackling climate change, and they should be given access to the best tools, technologies and support measures to enable them to do so.

5.5. abc is calling on the UK Government to continue to proactively work with its European partners to ensure that the reformed CAP delivers on the EU 2020 commitments and helps to make UK agriculture more innovative and competitive.

16 November 2011

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8 The drought tolerant maize for Africa initiative, International Maize and Wheat Improvement Centre / International Institute of Tropical Agriculture, http://dtma.cimmyt.org
9 Evaluation of the EU legislative framework in the field of GM food and feed, European Commission July 2010 (Published Oct 2011), http://ec.europa.eu/food/food/biotechnology/evaluation/index_en.htm
Written evidence submitted by Water UK (GCAP 17)

1. We believe that good water, soil and air quality should be at the heart of the Common Agricultural Policy. The shift in the emphasis of the CAP, from paying farmers to produce more food to supporting them to provide environmental and land management benefits, has provided opportunities for water companies to work with the agricultural community on schemes that have, in some areas, already provided measurable benefits for customers in terms of water quality. However, Defra makes it clear that, under HLS for example, the scheme’s primary objectives are to:

   - Conserve wildlife (biodiversity)
   - Maintain and enhance landscape quality and character
   - Protect the historic environment
   - Protect natural resources (water and soil), and
   - Promote public access and understanding of the countryside

2. There are also secondary objectives for genetic conservation (rare breeds), flood risk management, and an overarching objective to contribute to climate change adaptation and mitigation.¹

3. Many schemes support farmers for species specific activities, which we feel is looking somewhat through the wrong end of the telescope. We believe that, once you have achieved good water, soil, and air quality, many of the other benefits we as a nation seek – such as resilient biodiversity, enhanced landscape, flood resilience and climate change adaptation and mitigation – will happen as a result of getting these building blocks right. We feel, therefore, that that CAP support for environmental objectives should start with the water, soil and air. The Committee may like to ask Defra ministers and officials whether they feel that the time is right for a similar shift in emphasis.

4. While the details provided within the proposals are fairly broad, it appears that water has no more specific prominence in the proposed new regime than it does at present: Neither the “greening” of Pillar 1, nor the new GAEC measures, appear to place water quality in a more central position than it is under the present system². The measure to maintain an “ecological focus area” of 7% within the new Pillar 1 proposals does not specifically mention any water specific environmental improvement. We feel it is disappointing that the Commission has not taken the opportunity to reframe these requirements, to place water at the centre of good land management. There are very few parts of Europe where questions are not being raised about the resilience of the water supply, whether through population growth, demographic change, climate change, or a desire to support the economic benefits that a growing agricultural sector could bring. Land managers have an important part to play, in partnership with the water industry, in planning to safeguard that resilience, and supporting them in these aims through CAP would provide taxpayers with demonstrable benefits.

5. At a recent meeting with the pan-European water representative body, Eureau, Peter Gammeltoft, Head of the Water Unit at DG Environment, said that in Pillar 1, while there was

¹http://www.defra.gov.uk/food-farm/land-manage/stewardship/
very clearly a “greening”, there was no clear “blueing” of the policy to reflect the importance of water management. He suggested that, at the moment, there is discussion about how widely national governments would be able to interpret these measures, how much of this interpretation should be a free choice, and how much should be used to further policy objectives, such as water quality. This is an area that the Committee may wish to explore further with policy makers.

6. It is proposed that the WFD and the Sustainable Use of Pesticides Directive are incorporated into cross-compliance rules once they have been shown to have been properly applied in all Member States. This may take many years; indeed, it could be argued that for some states, WFD may be unattainable for the foreseeable future. We are aware of the concerns of removing level playing fields, but greater urgency in incorporating WFD measures would be welcome, even if it were on a state-by-state basis.

7. We support the concept of promoting increased innovation in agricultural practices. Through greater use of innovation agricultural producers can consider ways driving efficient use of water – through recycling or re-use - and adopting innovative practices for the application of products that would aid the economic efficiency of the farms whilst driving environmental benefits. Proper incentives and subsidies should stimulate innovation.

November 2011
Written evidence submitted by Professor Nic Lampkin, Director of the Organic Research Centre, and Visiting Professor, University of Reading, School of Agriculture Policy and Development (GCAP 18)

Context to our evidence

The Organic Research Centre is the UK’s leading independent research centre focusing on the development of organic/agro-ecological approaches to the delivery of sustainable food systems. Further information on the Centre can be found at www.organicresearchcentre.com

Prof. Nic Lampkin is an agricultural economist who has been involved with several EU-funded research projects on European rural development, agri-environment and organic farming policies, has been engaged with the development, implementation and evaluation of organic farming action plans at European, English and Welsh levels. Most recently, he has been part of a team reviewing European organic farming policies for the European Commission, the final report for which was submitted in November 2011. He is the Organic Research Centre’s lead person on CAP reform issues, further information on which can be found under the Policy and Debates section of the ORC website.

Greening of the CAP – ensuring environmental gains

The EFRA Committee asks whether the proposal to green direct payments will generate significant environmental benefits.

We believe that the payments to farmers under Pillar 1 need to address both socio-economic issues such as income levels and income security in agriculture and the delivery of environmental, animal welfare and other public goods to benefit society in general. The greening proposals represent a first step in this direction and should be encouraged and developed in a way that delivers genuine environmental benefits while not imposing excessive administrative burdens and transaction costs on producers or society. We recognise that there will be a need for trade-offs and simplification to achieve this, but there is room for improvement to ensure real delivery is achieved and protected.

Of the specific greening proposals:

- The protection of permanent grassland is to be welcomed, but there is a need to recognise that there is already an Environmental Impact Assessment requirement where permanent grassland is to be cultivated and the use of this protection should be emphasised. If the statistical definition of permanent grassland as grassland of more than five years age is retained, there are many UK production systems which involve 7—10 year grass leys and periodic breaks with cereal and root crops, which contribute positively to biodiversity. There is a need to ensure such systems are not inadvertently discouraged by this measure. There is also a need to ensure that setting a future base year such as 2014 doesn’t lead to farmers ploughing up grassland, including high value grassland, before then in a bid to circumvent the requirements.

- Cropping diversity is also worthy of encouragement – our work on organic/agro-ecological approaches, including agroforestry, makes clear that crop diversity can make a strong contribution to enhancing biodiversity and the delivery of ecosystem services, including building soil fertility, protecting crops from pests and diseases, and supporting bees and other pollinators essential for crop fertilisation. We believe the requirements need to be strengthened on this, to include a compulsory requirement for leguminous crops that contribute to biological nitrogen and carbon fixation as well as pollination services. The bureaucratic aspect can be moderated as areas allocated can be monitored through the annual single payment returns (although England does not currently collect individual crop data, fields are separately identified in the single payment returns and their utilisation can be reported with only limited additional administrative burdens).
• **Ecological focus areas** also have significant potential environmental benefits, as the Swiss experience has demonstrated. Our understanding is that these areas are not to be derived specifically from cropped land, and that they can include various non-crop habitats commonly found on farms, including hedges, trees, uncropped field margins (currently being encouraged as part of the Campaign for the Farmed Environment). It is important however, that farmers’ previous efforts to establish uncropped habitats under ES and other agri-environmental schemes are recognised as valid contributions to the threshold, and that the greening ecological focus areas are not imposed as an added requirement to areas already being delivered. There is also a need to ensure that the ecological focus areas are distributed close to cropland, so that on larger farms with large fields, we don’t end up with mini nature reserves surrounded by a cropped biodiversity desert with no inter-connections. We consider 7%, the level also applied in Switzerland, to be an acceptable compromise, with 5% delivering only modest benefits, while 10% would be challenging for farms in regions where hedgerow and other wood habitats are currently limited. Administratively, these areas may be more difficult to measure and record, but many are already recorded, for example sown mixtures to support wild bird populations.

• **Organic farming** is the fourth key element of the Greening proposals. From the organic sector’s point of view, this is a welcome development, reflecting the fact that there are significant environmental benefits from organic land management, which are also acknowledged by the European Court of Auditors and the UK’s National Audit Office. In biodiversity terms, the benefits are found within the crops as well as in field margins, so the emphasis on ecological focus areas to compensate for low biodiversity in cropped land is less relevant, while crop diversity, in particular the use of legume-based grass leys to build soil fertility and organic matter, and the maintenance of permanent grassland, is a standard part of organic management. Therefore the proposed automatic qualification for the Greening top-up is fully justified. In administrative terms, organic farming is regulated by specific EU legislation and there is a already control system in place, so there is no additional legislative or administrative requirement to implement this. However, there is a need to ensure that there are no conflicts between this greening element and Pillar 2 measures.

Given that the environmental benefits relate to land, and not to farm size, we support the Commission’s view that the greening element should not be subject to capping.

**Impact on food production and competitiveness**

The EFRA committee asks whether there will be any impacts of the additional greening requirements on food production and the competitiveness of the agricultural industry.

We believe the impacts have been overstated in the recent debates, and that they are likely to be insignificant. The permanent grassland element relates to current grassland areas and does not involve conversion of cropland to permanent grassland. The crop diversification element does not preclude production (or intensification) of crops that are needed for both human and livestock consumption. Our proposal that legumes should form part of the diversification requirement can include grain legumes as well as forage legumes that contribute to livestock dietary requirements and may substitute for feeds currently imported. The ecological focus area requirements are likely to be met substantially by existing areas on farms, particular if areas that have been created through agri-environment scheme participation are included (with 70% of English land now registered in Environmental Stewardship ELS and the apparent commitment of producers to support the voluntary environmental set-aside element Campaign for the Farmed Environment).
Consistency with simplification

The EFRA committee asks whether of the greening proposals are consistent with the CAP simplification agenda.

Clearly the inclusion of the greening element complicates the current Single Payment scheme arrangements, and therefore can be argued to be in conflict with the simplification agenda. However, this needs to be considered alongside the reduction in cross-compliance requirements and the limited inclusion of elements in the greening proposals to ones that are relatively easy to monitor.

Coherency with other agri-environment schemes

The EFRA committee asks how greening pillar 1 can be made coherent with agri-environment schemes.

We believe there are two key elements to this:

1. The greening elements should include recognition of agri-environmental activities that have been undertaken as part of meeting the targets, particularly with respect to the ecological focus areas. They should not be imposed as an additional requirement. However, while some are arguing that all agri-environment agreement holders should automatically qualify for the greening element, we would not support this as in some cases the agreements only provide for relatively limited agri-environmental outputs.

2. We are however concerned that the income foregone calculations for agri-environment and organic farming schemes could be adversely affected if an inappropriate assumption is made about whether or not farmers are qualifying for the greening element. We believe the standard assumption for making the income foregone calculation should be that farmers are already qualifying for the greening elements before making new commitments to entering these schemes.

Recommendations for improvement

The EFRA committee asks for recommendations for improving the greening proposals.

We have addressed this question as part of our response to the first question on the environmental benefits of the greening proposals.

Other CAP Reform issues

The EFRA Committee has indicated that it welcomes interested parties’ views on other elements of the CAP proposals.

We have identified a number of key issues via our CAP Reform web page under Policy and Debates at [www.organicresearchcentre.com](http://www.organicresearchcentre.com) while a number of very specific recommendations relating to organic farming are contained in our report to the European Commission, which has not yet been released for publication. While we could address a large range of issues, many of which will not doubt be picked up by other organisations, we would like to emphasise the following points here:

- Sufficient funding should be secured for land management programmes in the 2nd pillar budget, including a fairer share of the EU total for the UK and by ring-fencing a larger share (>50%) of the rural development programmes’ budget for measures that deliver to environmental objectives including organic farming.

- Consideration needs to be given to how the wide variation in organic farming support levels between member states (including no support at all) can be moderated to reduce the potential impacts on the single market, given the key importance of the organic market in underpinning the environmental benefits from organic land management. This is particularly relevant for the UK,
which has the lowest levels of organic support payments in the EU (see Figure). Greater consistency could be achieved by making the RDP organic farming measure mandatory on a similar basis to other agri-environment schemes and/or by including the organic farming measure in the group of RDP measures eligible for higher levels of co-financing, so that member state budget constraints are less of a factor influencing the support levels implemented.

![Maintenance payments in EU Member States](image)

- There is a need to ensure more effective exploitation of synergies between rural development measures, and in particular between the agri-environmental, organic farming and other land management measures and the farm advisory service, knowledge transfer and innovation measures. We would like to see specific cross-referencing of this in the regulation, but also a requirement for the question of synergies between measures to be addressed specifically in rural development plans. This is particularly the case for the organic farming measure, which also interacts significantly with the more market focused measures formerly in Axes 1, 3 and 4.

- We would like to see the UK place more emphasis on agroforestry options than was the case in 2007-2013. We have reviewed both the potential of agroforestry to deliver increased productivity and ecosystem services, and the policy support currently in place, and it is clear that it is worth supporting and much more needs to be done. For further information, please see: http://www.organicresearchcentre.com/?go=Research and development&page=Eco-agroforestry.

16 November 2011
Introduction

- RABDF is the only UK wide organisation representing solely the interests of the dairy farming industry. Our membership comprises both primary producers (dairy farmers, herd managers etc.) and those who supply them, be it Vets, the agricultural supply industry or Consultants.

- The current EU proposals to green the Common Agricultural Policy (CAP) after 2013 could have far reaching implications for the dairy sector but much remains unclear in these initial draft proposals.

- It is important to recognize that the UK dairy farming sector is significantly different to that in the majority of other Member States, particularly in respect of herd size. It is vital that if the UK is to be competitive that dairy farmers in this country are treated on the same basis as their European counterparts in the distribution of direct payments.

- Direct payments, be it in the form of the current Single Farm Payment and/or agri-environmental payments are now making a significant contribution to the bottom line of UK producers. Quite simply without such payments the future profitability and sustainability of the sector becomes much more marginal due to the continuing problems of low milk price and increasing costs of production.

- The emphasis of the Commissions proposals is largely directed towards environmental issues and political legitimisation of CAP expenditure. There is very little in the package that actually assists the UK dairy farming sector in meeting the challenge of maintaining and improving its competitiveness in an increasingly globalised market.

Q1. Will the proposal to green direct payments generate significant environmental benefits?

- The current proposals are too loosely worded to ensure significant environment benefit and indeed could have the potential to create significant environmental harm. For example, it seems a perverse incentive for farmers to plough up permanent grassland before the reference date of 2014, whilst the current definition of permanent grassland still allows member states to include annually reseeded or intensively fertilized grass in the permanent grassland category. This makes the greening mechanism completely meaningless for promoting bio-diversity.

- The approach on crop rotation in these proposals will not suit UK dairy farmers and will add further complexity. For example many farmers will be all-grass but grow a few acres of forage maze. To introduce a third crop would on many farms be completely impractical.

- We would suggest that there needs to be a clear differentiation between high nature value permanent grasslands and low nature value intensively managed and reseeded pasture. Both have their place and both can maintain bio-diversity. We also would hope that other ways of creating bio-diversity such as ponds, trees and hedgerows appropriate to an area could be
recognized and rewarded. Many UK dairy farmers encourage such features on a voluntary basis.

Q2. The impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

- Food production is central to any agricultural policy. We fully support the concept of Sustainable Intensification which should allow competitive food production to co-exist with green measures.

- RABDF would support specific and significant investment through the CAP into research on and dissemination of robust production systems for sustainable intensification.

- Our fear is that the proposals as they currently stand will negatively impact on milk production and the competitiveness of the UK dairy industry.

- Farming practices are increasingly driven by the market and the consequential need to achieve production efficiency. Greening as it currently stands could compel farmers to take actions that otherwise they would choose to do voluntarily or add complexity and thus create an unsustainable system. For example, the whole approach on permanent grassland seems to misunderstand that for increased milk output from grassland, which of itself is to be encouraged at cheapening the costs of production and relying less on imported feedstuffs, grass will need reseeding every 5-8 years. Permanent grassland is inherently less productive than properly managed new grass leys. Any final regulation needs to recognize the diversity of practices used on dairy farms across Europe.

- It is not clear from the Commission’s proposals if the Greening criteria is mandatory on all farmers if they wish to receive direct payments. If the 30% is linked to Greening then farmers must be given the choice of whether to participate or not and should be offered a menu of options which would allow them the ability to respond to market requirements.

Q3. Consistency of the Greening proposals with the CAP simplification agenda?

- These Commission proposals seem wholly incompatible with the simplification with the CAP. The Greening proposals as they stand seem to add complexity as they would have to be accompanied by an appropriate inspection and verification regime.

- The CAP should be as simple as possible but recognizing regional variations.

Q4. How Greening pillar 1 can be made coherent with agri-environment schemes?

- Agri-environment schemes alone are insufficient since they are voluntary and underfunded. If pillar 1 does include significant, specific, clearly defined Greening measures this should allow well targeted agri-environmental schemes and budgets to address specific regional and ecological measures.

- As the proposals currently stand if the Greening requirements for ecological focus areas (ECA’s) are removed from existing agri-environment schemes, then it may no longer be attractive or viable for dairy farmers to participate in these schemes.
Q5. Recommendations for improving the Greening proposals

- The current proposals seem very crude and do not take account of the specific needs of regions or the existing achievements made and thus are not the best way forward to achieve environmental benefit.

- Any policy needs to differentiate between intensively and extensively managed farmland.

- We are pleased that the Commission proposes to continue to pay farmers for environmental services on the basis of income foregone and additional costs. This has shown itself to be an effective policy instrument for achieving targeted environmental objectives whilst gaining farmer engagement.

Q6. Other elements of the CAP proposals

- We are pleased that the Commission intends to maintain a number of market management mechanisms to cover extreme price volatility and thus welcome the Commissions acknowledgement that the CAP still has role to play here.

- The proposals mention a lot about Pillar 1 funds. There is little or no mention on the allocation of Pillar 2 funds.

- RABDF is strongly opposed to the capping of direct payments to large farmers as although this is unlikely to affect many UK dairy farmers at present it does seem to set a worrying precedent that could penalise the larger UK milk producer.

- We also welcome the Commissions efforts to define active farmer but it is important to recognise that on many dairy farms it is the younger generation actually farming whilst the farm may still be trading under the previous generation’s name. This is why the oft-quoted average age of British dairy farmers at 57 is so misleading.

- Finally we are pleased that the Commission is looking at introducing a Young Farmers Scheme but the current proposals as they stand will not encourage much uptake in the UK due to the capping proposals.

We hope that these few comments will be of interest. RABDF would be happy and very willing to elaborate on this submission.

16 November 2011
1. **Introduction and executive summary**

1.1 We welcome the opportunity to respond to the Environment, Food and Rural Affairs Select Committee Inquiry into the ‘greening’ proposals of the Common Agricultural Policy (CAP) for 2014-2020. This comes at a time when there is a clear need to ensure the CAP can adequately respond to the twin challenges of feeding a growing global population whilst safeguarding the natural resources on which agriculture depends.

1.2 The inquiry is well placed to reinforce the inextricable link between food security and environmental security and determine whether the Commission’s proposals adequately recognise and address this fundamental relationship.

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

1.4 We welcome the European Commission’s ambition to ‘green’ the CAP but believe the proposals fall short of achieving this aim, not least because they are not significantly forward thinking, fail to recognise the need to better integrate the environmental objectives of both Pillars 1 and 2 and do not go far enough to make the first Pillar deliver for the wider public good. We were hoping to see proposals that delivered much more for natural resources underpinning the farmed environment, preparing us for an uncertain future of climate and food insecurity.

1.5 We believe the CAP should aim to achieve four key objectives. Firstly, the new CAP must secure a net environmental gain for Europe. In this respect, the proposals should deliver meaningful and demonstrable benefits, with both Pillars working together. Secondly, it must provide the right tools and help Europe meet the EU 2020 strategy objectives and environmental commitments in relation to biodiversity, climate change and water. Thirdly, the new CAP must help put the UK’s and Europe’s food production onto a significantly more environmentally sustainable basis, thus securing long-term food security for European citizens. Food production depends on functioning ecosystems that maintain good quality soils, water availability and stable climates. And fourthly, the new CAP must demonstrate good value for money. For the CAP to be a legitimate use of taxpayers’ money, it must avoid any significant environmental negative impact and deliver efficient and effective mechanisms to reward farmers and land managers for the delivery of environmental public goods.

2. **Whether the proposal to green direct payments will generate significant environmental benefits**

2.1 The proposal clearly states that: “the future CAP will be […] a policy of strategic importance for food security, the environment and territorial balance … Therein lies the EU added value of a truly common policy that makes the most efficient use of limited budgetary resources in maintaining sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States, while also allowing
flexibility in implementation to cater for local needs” (Explanatory Memorandum, p.3, Direct Payments Regulation). We welcome this statement of intent, but the proposals, as written, appear to significantly over-estimate their ability to generate significant environmental benefits.

2.2 We broadly welcome the principle of mandatory ‘greening’, but the proposed package of measures is unlikely to achieve significant environmental benefits. It is inherently weak due to the Commission’s criteria of simple, annual, non-contractual and generalised design. The proposals also undermine and conflict with agri-environment schemes which are more advanced, contractual, multi-annual and targeted, i.e. better value for money. Both Pillars 1 and 2 need to be much more complementary in their design if future public support is to be maintained, and so if the ‘greening’ measures are to be retained they need to work in practice.

2.3 In the UK, retention of permanent pasture beyond a 2014 baseline will not necessarily deliver any real benefits. There may be a risk of a net loss of grassland as a result of pre-emptive cultivation ahead of the 2014 date to enable farmers to have freedom of cropping and potentially access to valuable cereal markets in future.

2.4 Please refer to Point 5 below for further technical information in relation to individual ‘greening’ measures.

3. The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

3.1 What has been proposed is very basic and is unlikely to impact on food production and farm competitiveness. Many farmers are already employing many of the proposed measures through good agronomic practice or through meeting current cross compliance requirements.

3.2 The suggestion that designating 7% of a farm as ecological focus areas will mean taking land out of production would not, as claimed, be a return to set-aside since many of the features captured as part of this particular measure, such as landscape features and buffer strips, are already covered by cross compliance or agri-environment schemes.

4. Consistency of the greening proposals with the CAP simplification agenda

4.1 We are deeply concerned that whilst intending to ‘green’ direct payments what has been proposed will, in fact, create significant administrative and monitoring burden that will render it unworkable.

4.2 The measures as described would presumably be recorded on the SPS SP5 data sheets and automatically be made available – for example permanent pasture codes PP1 and PP4, along with crop types for each field. However, the way to identify ecological focus areas is less clear and may require increased mapping data to record additional features. This could be problematical if the features change annually, such as the location or size of buffer strips.

4.3 We believe the proposals represent a missed opportunity to develop cross compliance alongside Pillar 1 ‘greening’ measures to serve as an enhanced environmental baseline for Pillar 2 rural development schemes.
5. **How greening pillar 1 can be made coherent with agri-environment schemes**

5.1 Efforts to ‘green’ farmers direct payments must deliver or ‘buy’ genuine outcomes for the environment and not undermine ‘added-value’ agri-environment schemes that encourage farmers to manage their land in environmentally beneficial ways.

5.2 We believe that the greening measures as proposed need to be revised in order to improve the current measures and make them more consistent with agri-environment schemes. In due course, the overall approach should evolve into a more sophisticated system, not least enshrining the whole of Pillar 1, if the two pillar system is going to be retained.

5.3 It is likely that both higher level agri-environment schemes and organic farms in the UK would already meet the greening measures. However, as currently proposed, only organic farms would be exempt from the greening measures. If that is the case, there is an argument that higher level agri-environment schemes should also automatically qualify for the 30% greening measure.

5.4 Nonetheless, we would argue that all farms at all scales should be expected to comply with the greening measures from the outset so that as and when they become more sophisticated, they are uniformly applied and different farm types are not disadvantaged.

6. **Recommendations for improving the greening proposals**

6.1 In general, there is an argument that the proportion of land covered by greening measures should be extended well beyond 30%. However, we appreciate that the existing greening measures are unsophisticated and the benefits to increasing the proportion are likely to be felt most beyond the UK where agri environment schemes are less advanced.

6.2 An alternative proposal worth proper consideration might be that instead of the three options, the greening measures could instead require entry into a specified agri-environment scheme. This could be available to all applicants and would make at least part of Pillar 1 funding conditional on Pillar 2 and should avoid dual funding concerns.

6.3 **Permanent grassland**

6.3.1 We have a number of concerns around this measure. Firstly, the baseline year should not be set in the future, in 2014, but be set based on current or previous agricultural land use designations as of 2011 to discourage pre-emptive cultivation. As proposed, this future date could present a very high risk of soil erosion and consequent loss of nitrogen, carbon and biodiversity across the EU, if farmers are inclined to cultivate land now to avoid it being locked into a permanent pasture post-2014.

6.3.2 Secondly, there is no distinction between permanent pasture of high environmental value and improved grassland that has been established for over 5 years, such as long-term ryegrass leys. If 5% of a farm’s permanent pasture is to be allowed to be cultivated annually, a measure is required to identify and protect high nature value grassland for example by strengthening current environmental impact assessment legislation.
6.3.3 Thirdly, consideration should be given to a derogation permitting cultivation of improved permanent grassland of low nature conservation value to re-establish rotational farming systems that deliver a net environmental gain. This could be achieved by way of a new definition for semi-permanent grassland that can be cultivated, re-seeded or rotated within a holding and which satisfies an environmental impact assessment or which will form part of an appropriate agri-environment scheme.

6.4 Ecological focus areas

6.4.1 This measure, based on an annual management prescription, is unlikely to provide any long term benefit over the period of the CAP term as it lacks continuity and is little more than what agri-environment schemes and cross compliance rules already deliver but over a longer timeframe.

6.4.2 Given the potential overlap with ‘Good Agricultural and Environmental Condition’ (GAEC) standards and agri-environment commitments that extend into the next programming period, clarity is required on duplication of requirements and funding, as well as the impact on the design and uptake of new ‘entry-level’ type agri-environmental schemes. If designed correctly, with the right mix of features and management requirements, this measure would incentivize adoption of higher level agri-environment commitments.

6.4.3 As the proposals stand, there is an implication that the 7% ecological focus areas might need to be above and beyond any existing agri-environment scheme features due to dual funding rules.

6.5 Crop diversification

6.5.1 We foresee difficulties with demanding mixed cropping on very small areas and would recommend raising the minimum area from 3 ha to a more practical threshold, for example 50 ha. There is also a strong case for ensuring that leguminous crops should form part of the crop mix and that consideration be given to specifying a maximum single crop area to avoid a situation where, for example, a large 1,000 ha farm could still employ a large monoculture block of 700 ha.

6.5.2 A three hectare threshold for arable farms to cultivate a minimum of three crops is too low and will discourage those mixed farms which currently employ around 4 ha extensive cropping of spring barley, oats or turnips from carrying on with this practice. This would have a potential negative impact on small-scale arable systems in upland areas, which are usually focused on delivering agri-environment and biodiversity benefits within predominantly grassland areas (see also Permanent grassland).

6.5.3 More broadly, this proposal would impact on the ability of small farms to make financial, market driven decisions and achieve economies of scale and farm efficiencies, create crop store management (the need for segregation of multiple crops in relatively small quantities) and agronomic issues (where continuous wheat is practiced as a way of managing disease take-all) and complicate contracting agreements (one of the ways in which small farms are able to remain viable). Although not an issue for many farmers, it does therefore have the potential to be anti-competitive.
7. Other issues having an impact on the CAP ‘greening’ objectives

7.1 There are other issues that will have a direct impact on the Commission’s objectives to ‘green’ Pillar 1 of the CAP. The active farmer and capping proposals pose real risks for the Trust’s delivery of environmental outcomes on the land we manage directly to conserve wildlife, landscape and provide public access for the benefit of the nation – our statutory purpose. However, we understand these are unintended consequences of the Commission’s proposals and we are working with the UK Government and Commission to resolve these issues.

November 2011
Written evidence submitted by The Royal Society for the Protection of Birds (RSPB) (GCAP 21)

The RSPB welcomes the opportunity to respond to the EFRA Committee’s inquiry into the European Commission’s proposals to ‘green’ the Common Agricultural Policy.

Executive summary

1. There is an urgent need to expend more attention and funding on the natural environment in the context of EU agriculture.
2. While the focus on ‘greening’ has largely centred on the Commission’s proposals for new measures under Pillar 1, existing CAP mechanisms must also be addressed. Agri-environment should have a central and growing role; cross compliance must be improved; and gaps in funding the CAP provides for environmental delivery must be addressed.
3. The extent to which the greening proposals will improve the status quo is limited – a missed opportunity to support EU farming to become more environmentally and economically sustainable.
4. Each of the proposed measures must be designed so they deliver genuine environmental benefits.
   - Ecological Focus Areas have significant potential to benefit the farmed environment, but must only include features or land uses which are genuinely environmentally beneficial. Positive management of EFAs should be encouraged through agri-environment schemes.
   - Permanent pastures of high environmental value urgently need proper protection and support. However, the current proposals could actually incentivise their destruction. The current definition of permanent pasture fails to distinguish between intensive grass crops and extensively managed grasslands of the highest environmental value. The proposed reference year of 2014 may incentivise landowners to cultivate their pasture before this date. The RSPB instead calls for a Pillar 1 premium to provide support for extensively managed pasture.
   - The crop diversity measure will not deliver the proven benefits of agronomically sound crop rotations. 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. Ideally this measure should be replaced by a crop rotation requirement, but at the least the setting of the minimum area threshold must be reviewed.
5. The EU’s long-term food security depends on maintaining the productive capacity of agricultural land. ‘Greening’ the CAP is therefore not optional: it is a necessity. It is hard to determine what impact the proposals will have on food production, but evidence suggests it will not be significant.
6. The RSPB supports the principle of more efficient regulation, but maintaining environmental standards must be non-negotiable. Some of the cross-compliance simplification proposals would undermine the Policy’s environmental performance.
7. If executed well, greening provides an opportunity to improve agri-environment delivery by acting as an enhanced baseline upon which such schemes operate. Managing the transition to the new CAP will be key and farmers who are already in an agri-environment scheme when greening measures become mandatory must not be put at a disadvantage compared to those who are not.

Overarching comments

8. The RSPB has a long history of involvement in CAP reform. We have been instrumental in the development of agri-environment schemes, and Environmental Stewardship in particular, and making the case for a transfer of funds, and policy emphasis, from Pillar 1 to Pillar 2.
9. In run up to the current reform period, we have joined forces with a range of environmental and farming stakeholders to call for a shift to sustainable land management\(^1\), set out principles for a new policy\(^2\) and make specific proposals for the CAP after 2013\(^3\).

10. Previous CAP reforms have contained some positive elements, particularly the creation of Pillar 2, decoupling of subsidies from production and the introduction of cross compliance.

11. Many of these changes were developed to signal the shift away from outdated and unjustified payments, with decoupling in particular introduced as a transitional process. However, the proposed end point of this ‘transition’ urgently needs to be spelled out. Without a clear route map, farmers are poorly equipped to make the necessary business adjustments and are unlikely to ‘buy-in’ to the reform process.

12. Whilst there is room for simplifying all elements of the policy, both to reduce bureaucratic burden for farmers and land managers and to improve the policy’s efficiency, there must be no erosion of principles which improve cost-effectiveness and accountability of the policy for citizens.

13. To meet future challenges, the CAP needs to help ensure global food security, enable farmers to run profitable and market-focussed business, propel a rapid transition towards more sustainable land management and reward the provision of environmental public goods where these are underprovided.

14. Direct payments are a wasteful and inefficient way of doing this – indeed, it is likely the Single Payment Scheme is impeding moves in this direction\(^4\). Direct payments do not encourage farmers to take a long term view, they are not linked to public goods nor do they secure sustainable land management – as they also have little impact on food production, what are they for?

15. We want to see a planned and gradual phasing out of the current direct payment system. This would provide an opportunity to temporarily target a proportion of CAP support toward measures which boost the long term sustainability and competitiveness of farming e.g. improving farming’s return from the food chain through added value products, savings through resource efficiency etc.

16. Increased resources for Rural Development and a re-focussing of support towards environmental and climate change objectives, if implemented soundly, would go a significant way to addressing issues of resource degradation and biodiversity loss in Europe. A retargeting of support towards environmental objectives would also need to address the pressing issue of High Nature Value farming, which is at the precipice in much of the EU, and the Natura 2000 network of protected sites, many of which depend on sensitive farming methods.

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\(^1\) Beyond the Pillars: Wildlife and Countryside Link’s policy perspective on the future of the CAP (2008)
17. Well designed, implemented and funded schemes must form a key component of the CAP after 2013 and the success of agri-environment schemes in the UK needs to be built on in the future CAP. The vast majority of land in England is now in an AES and by committing to provide public goods in this way farmers can guarantee a basic level of income over 5-10 years, providing a degree of security against volatility (albeit subject to adjustment following broader CAP reform outcomes) without becoming dependent on income support.

18. At a time of economic crisis, it is more important than ever to ensure the use of public funds in the CAP has a clear justification. This means boosting those CAP funds which deliver clear public goods, particularly in the absence of a market for such goods.

19. As long as a two-Pillar CAP remains in place, it is imperative that the environmental performance of the policy as a whole (i.e. across both pillars) is improved, while making sure the two Pillars complement each other and are not working at cross-purposes. There is considerable scope to improve the environmental delivery of Pillar 1; both through existing approaches such as cross compliance and the appropriate use of national envelopes, and through new 'greening' measures. However, greening is not a concept that only applies to Pillar 1, it must also apply to Pillar 2. Both Pillars must work together and never be in opposition.

Section 1: The need for further greening of the CAP

20. The impetus behind the Commission’s proposals to green the CAP is to justify its considerable public investment, and as a result, improve the public acceptability of the policy.

The ongoing environmental challenge

21. Despite the flaws in the approach the Commission has taken to address this issue, which will be covered in detail below, there is exceptionally good justification to expend more attention, and funding, on the natural environment in the context of EU agriculture:

- In 2011, the European Farmland Bird Index, which monitors farmland bird populations, fell to its lowest ever recorded level\(^5\). Rapid changes in agricultural management in the post-war period, driven in part by CAP incentives, have resulted in a farmed landscape across much of the EU that no longer provides a sufficient amount or quality of nesting habitat, spring food for chicks or food resources over the winter period. Measures to reverse these declines have been developed for the majority of farmland species, and have been proven to work. For example, at the RSPB’s own conventionally managed commercial farm in Cambridgeshire farmland bird numbers have been restored to 1970s levels through simple agri-environment measures. However, across the UK and wider EU, they are not being deployed at the right scale, or in the right combination, to effect the change required.

- The well-documented decline in farmland birds is mirrored by declines in other farmland wildlife. The European Environment Agency noted in a recent report that “biodiversity in agro-ecosystems is under considerable pressure as a result of intensification and land abandonment”\(^6\).


\(^6\) European Environment Agency (2010) 10 messages for 2010: Agricultural ecosystems
For example, soil biodiversity is vital for agricultural productivity, and although it is poorly understood compared to above-ground biodiversity, it is clearly under pressure from issues such as soil erosion on farmed land.

- The European Nitrogen Assessment⁷ makes clear that the level of use of Nitrogen fertiliser in EU agriculture has considerable negative impacts on water and air quality, the greenhouse balance, ecosystems and biodiversity and soil quality.
- Agriculture both contributes to and is vulnerable to the effects of climate change. Greenhouse gas emissions reported in the agriculture sector represent around 9% of total EU emissions.⁸ European soils store around 73 to 79 billion tonnes of carbon. Land management practices can increase or decrease the size of this carbon store.
- As well as adapting itself to climate change, agriculture will need to play a key role in helping wildlife to adapt, as highlighted in Lawton’s report ‘Making Space for Nature’.⁹

The environmental policy context
22. Whilst agriculture is explicitly linked to a suite of environmental challenges, it is also the principle means to address them. Agriculture covers almost half of the EU land area, and over 70% of the UK and consequently has a major impact on wildlife and natural resources. The CAP must play a significant role in converting the current broadly negative environmental impact of EU farming to a positive one. The policy must also play its part in meeting wider EU targets on biodiversity, water quality and climate.

The food security context
23. Our natural resources of soil, water and biodiversity underpin agriculture’s ability to produce food and other commodities. Without healthy and stable soils, adequate water supplies and the services of pollinating insects, our food production potential would be fundamentally compromised.

24. While food security is a complex issue covering affordability, dietary choices and waste, to name just a few, it is clear that currently enough is produced to feed everyone. Poverty, not global shortage, is the major reason certain people cannot access enough food. It is also clear that many of our production systems are not sustainable in the long-term for reasons including our dependence on finite resources, over-abstraction of water in many parts of the EU and the cultivation, and associated loss, of carbon-rich soils. We are therefore have a food security imperative to address our food production systems now so that our natural environment is able to support food production, and a viable farming sector, long into the future.

Greening the CAP as a whole
25. As long as a two-Pillar CAP remains in place, improvements to the policy’s environmental performance must take place across both pillars. While the focus on ‘greening’ has largely centred on the Commission’s proposals for 30% of Direct Payment funding to be attached to new measures under Pillar 1, there are existing CAP mechanisms that must be addressed.

⁸ COMMISSION STAFF WORKING DOCUMENT (2009) The role of European agriculture in climate change mitigation
A central, and growing, role for agri-environment

26. Well-designed and adequately funded agri-environment schemes are capable of delivering exceptional results, particularly for biodiversity\(^\text{10}\), and represent a sound use of public investment in agriculture. While problems of design and implementation across Europe have been recently highlighted by the European Court of Auditors\(^\text{11}\), this same study emphasised the importance of such schemes and reserved particular praise for Environmental Stewardship schemes operating in England.

27. Despite the central role of agri-environment schemes in securing environmental outcomes on farmland, and rewarding farmers for doing so, the current set of CAP reform proposals has effectively shifted the focus elsewhere. From a budgetary perspective, the proposed Multi-Annual Financial Framework (MFF) will see the CAP budget across both Pillars reduce in real terms by about 8%. Although ring-fencing for environmental measures (agri-environment, organic farming and payments to areas facing natural or other specific constraints) has been set at 25% in the proposed Rural Development Regulation this represents 25% of a reduced budget. Furthermore, agri-environment measures have been renamed “agri-environment-climate” measures. Therefore, this 25% will be expected to deliver a broad suite of environmental objectives and it is unlikely that the ring-fenced money will be adequate. There is also the risk that new climate change measures developed under Pillar 2 could undermine other environmental objectives, or actually cause further environmental harm. One example could be the inappropriate development of Anaerobic Digesters which demand purpose grown maize crops. Maize, if sited poorly, is linked to soil degradation and water pollution problems.

28. In the UK alone, where already significantly more than 25% of Rural Development funds are allocated to agri-environment schemes, it is estimated that between £1-3bn would be required, each year, to secure stated conservation objectives\(^\text{12}\). This is significantly less than is allocated to environmental schemes, but is comparable to the funds distributed through the CAP’s Pillar 1 payments each year in the UK.

An improved cross compliance system that meets its potential to deliver environmental improvement

29. As several studies and reports\(^\text{13}\) have highlighted, cross compliance (a system of requirements farmers must respect to receive the majority of CAP payments) has not yet met its considerable potential to lever basic environmental protection and enhancement across the EU’s Utilised Agricultural Area. There has been a distinct lack of political will to address the fundamental problems facing the system, which include poor design, implementation (including inadequate guidance to farmers) and enforcement.

30. In addition, the 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

\(^{10}\) BirdLife (2011) Seeds of Success: How agri-environment can yield results for nature and farming

\(^{11}\) European Court of Auditors (2011) Is agri-environment support well-designed and managed? Special report no. 7


\(^{13}\) European Court of Auditors (2008) Is Cross compliance an effective policy? Special Report No. 8; BirdLife (2009) Through the Green Smokescreen: How is CAP cross compliance delivering for biodiversity?
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.

31. While the reform proposals state that requirements relating to the Water Framework Directive and Sustainable Use of Pesticides Directives will become part of cross compliance, it is with the caveat that this will happen only when all Member States have implemented them – therefore allowing an indefinite period of delay.

32. Such erosion, or inadequate implementation, of the Statutory Management Requirement elements of cross compliance is completely unjustified and will remove an important financial incentive to farmers and land managers (through direct payments reductions following cross compliance breaches) to respect them.

33. While there have been some positive elements added to the Good Agricultural and Environmental Condition (GAEC) requirements in the Commission’s proposals, particularly 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) 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 duplicated in the proposals for reform, which could limit Member States’ ability to define good management requirements under the new GAEC framework. In addition, the GAEC relating to crop rotation has been removed (presumably under the misapprehension that the proposed crop diversity measure under Pillar 1 greening will meet this need) as has the GAEC relating to appropriate machinery use to maintain soil structure. These deletions are watering down the ability of cross compliance to deliver environmental protection and improvement.

**Addressing gaps in the CAP’s environmental provisioning**

34. In addition to improvements needed for existing measures under Pillar 1 and 2, there are long standing gaps in the CAP’s environmental provisioning that need to be addressed to genuinely green the policy, which have not been addressed in the Commission’s proposals for reform. These include:

- Targeted support to High Nature Value (HNV) farming systems which are often economically marginalised but deliver outstanding environmental benefits through sensitive land management.
- Meaningful support for farms in Natura 2000 sites, linked to management plans;
- A top-up payment for organic farming systems, linked to positive land management.
Section 2: EU Proposals to ‘green’ Pillar 1 of the CAP

Question 1 – Will the proposal to green direct payments will generate significant environmental benefits?

35. The Commission’s proposal to green Pillar 1 through the introduction of new measures linked to 30% of direct payments represents a potential improvement to the status quo. The proposals state clearly that greening measures must go beyond (i.e. deliver more than) cross compliance and as such recognise that the CAP must improve its performance in response to ongoing environmental challenges and heightened public scrutiny. However, the extent to which the proposals will actually improve the status quo is limited (and could be non-existent if they are not robustly designed and implemented). The Commission’s lack of ambition in this area is a missed opportunity to support EU farming to become more environmentally sustainable, and ultimately economically viable, in the long term.

36. The Commission’s proposals contain three new greening measures. Their potential to generate environmental benefit will be analysed in turn.

Environmental Focus Areas (EFAs)

37. EFAs have significant potential both to recognise and reward those farmers who have retained environmentally and agronomically useful features on their farm and to drive those who do not have such areas to incorporate them on their land. However, some initial comments on what farmland will be subject to the EFA requirement are necessary.

EFA applicability

38. Currently, farms under permanent pasture (i.e. many livestock enterprises) will not have to implement EFAs. We need to look at ways to make permanent pasture subject to the EFA requirement for the following reasons.

39. Firstly, intensively managed grasslands are associated with a suite of negative environmental impacts including loss of soil carbon through regular cultivation and re-seeding; high stocking densities or cutting regimes which limit the value of the grassland as a nesting resource for ground-nesting birds; greenhouse gas emissions through the application (and production) of nitrogen fertilisers; links to diffuse pollution of watercourses. There is therefore a clear need to mitigate the impacts of intensive grassland management and this can be done, at least partially, through EFAs.

40. Secondly, EFAs would provide an additional means to recognise livestock farmers who have retained landscape features on their farms (such as hedgerows and wet features) and who have extremely valuable areas of biodiverse rich permanent pasture on their farms.

41. In the current proposals certified organic farms will be exempt from all greening measures. While the RSPB agrees that scientific evidence highlights the overall benefits of organic systems for the

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environment, all organic farms are not necessarily more beneficial than conventional systems. Extending the greening measures to organic systems would place no additional burden on those farmers who already deliver a high level of environmental benefit, and would bring others up to a higher standard of environmental delivery. The RSPB does believe that organic farms should be recognised for the environmental benefits they deliver in general but feel this would be more appropriately delivered through an additional top-up payment through Pillar 1.

**EFA coverage and eligible features**

42. The Commission proposal is for 7% of all farms (currently excluding permanent pasture systems) to be managed under an EFA. The RSPB believes that as this requirement will include landscape features, 7% should be considered an absolute minimum.

43. What landscape features or land types are allowed to count towards the EFA requirement will have significant bearing on its ability to deliver for the environment. While land out of production is likely to constitute a proportion of EFA on many farms, it is extremely important to recognise that EFAs are not a return to set-aside and that many farms will be able to deliver much of their EFA requirement through non-fallow means.

44. The Commission has rightly proposed that landscape features should count towards EFA and they should encompass hedgerows; lines of trees; single trees; small ponds and wet areas and areas of scrub. These features provide both environmental benefits through, e.g., nesting and feeding resources for many farmland bird species, and agronomic benefit through e.g. reducing erosion risk of soil from wind and rainfall. 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 including them in EFAs would provide an extremely useful incentive to retain them on farmland.

45. The inclusion of fallow areas in the EFA requirement is also positive and in an arable context should encompass buffer strips; field margins and field corners. Whole fields should also be permitted. These areas, which are already present on many farms, provide a range of benefits including supporting seed and insect food resources for wildlife and slowing, filtering and trapping pollutants before they enter watercourses.

46. The Commission proposals state that afforested land should also be eligible for EFA (if planted under an agri-environment scheme). In order to ensure that a degree of habitat diversity is secured through EFA, areas of woodland should only count for a small proportion of the EFA requirement.

47. If grassland systems were to be included in the EFA requirement, in addition to the landscape features identified above EFAs could also encompass field margins cut once late in the year to allow food resources for wildlife to develop and extensively managed, semi-natural permanent pasture. For the latter, in the absence of a mapped inventory of such grasslands, these areas could be identified using outcome focussed definitions e.g. the grassland features at least 10 different plant species per square metre or alternatively could be achieved using ‘the approach taken in the Welsh Glastir agri-environment scheme to define ‘habitat land’ as “any vegetation which has a composition of less than
25% sown agricultural species as per the Environmental Impact Assessment (Agriculture) (Wales) (EIA) Regulations 2007."15

48. It will be extremely important to ensure that only features or land uses which are environmentally beneficial count towards the EFA requirement. Currently the Commission proposals state that terraces should be included; however not all terraces are environmentally beneficial.

**EFAs and agri-environment schemes**

49. Many farmers are already working hard to deliver benefits for wildlife and the wider environment, often through agri-environment schemes, and it is imperative that any new greening requirements do not penalise them. Therefore farmers must be able to count landscape features and areas managed under appropriate agri-environment options, including those which form part of the Campaign for the Farmed Environment, towards their EFA area requirement (N.B. only the ‘footprint’ of these features in terms of land area covered, and not management prescriptions, would form part of the EFA). In order to avoid issues of ‘double-funding’, agri-environment measures will need to be re-scored in terms of their ‘value’. However, for farmers who are already in a scheme when greening becomes mandatory, the new agri-environment values should come into effect when they renew their agreement.

50. It is vital that EFAs are managed to maximum environmental effect and this positive management should be explicitly encouraged through agri-environment scheme participation.

**Permanent pasture protection**

51. The RSPB believes that proper protection for permanent pastures of high environmental value is urgently needed, as is support for their sympathetic management. However, far from increasing protection, the current greening proposals could actually incentivise the destruction of valuable permanent pasture.

**The value of permanent pasture**

52. Semi-natural grasslands and those supporting priority species are incredibly valuable for biodiversity and deliver many ecosystem services that benefit society, including carbon storage and water quality provision. The National Ecosystem Assessment highlighted the value of these services and the fact that provision of many ecosystem services is greater in semi-natural, than in agriculturally improved, grasslands.16 However, semi-natural grasslands have declined drastically in the UK, with agricultural improvement being the major driver of this loss. Although only 2% of the UK’s grassland area is high diversity semi-natural grassland, these habitats are home to 206 Biodiversity Action Plan (BAP) species in the lowlands and 41 BAP species in the uplands. Halting the loss of semi-natural habitats is a key priority if the decline in biodiversity is to be stemmed and the agreement reached at Nagoya is to be honoured.

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16 For example, storing greater densities of carbon, producing less nitrous oxide and pollution, having more efficient nutrient cycling, allowing greater water infiltration rates and enhanced storage (aiding flood prevention). NEA, 2010 Chap 6 Semi-natural Grasslands
53. The current definition of permanent pasture includes grasslands that are regularly ploughed and reseeded (so long as they are not in an arable rotation for five years) and subject to intensive management. This failure to distinguish grass crops of little environmental interest from those extensively managed grasslands of the highest environmental value is a major difficulty with policy mechanisms designed to protect permanent pasture.

The 2014 reference date
54. The draft regulations propose changes to the rules governing the protection of permanent grasslands including the requirement to maintain permanent grassland at the holding level, based on the area declared as such for a reference year of 2014 (with conversion being allowed on a maximum of 5% of this reference area). This is a considerable change from the current cross-compliance requirement (which is implemented at the Member State level in the case of the UK) and landowners who do not wish to be restricted in the future may decide to cultivate their permanent pasture before the new rules come into force.

55. There are major weaknesses in the current cross-compliance mechanism to encourage maintenance of permanent pasture which will limit its use in terms of preventing valuable grasslands from being ploughed up ahead of the 2014 reference date. This mechanism applies to land which was under permanent pasture in a reference year (2003, 2004 or 2007) and operates at the Member State or regional level. If the ratio of this land to other farmland declines by 10%, authorities must take steps to reverse the decline. However, as the permanent pasture definition includes regularly reseeded grass, the control at national level is very crude, as it allows valuable permanent pastures to be destroyed, while new and less environmentally valuable pastures are created elsewhere, with potentially no statistical change for the country.

56. Furthermore, the dangers posed by the 2014 reference date are all the more concerning given the well documented evidence that Environmental Impact Assessment (Agriculture) Regulations which should protect pastures of high value for biodiversity are failing to do so due to poor implementation and enforcement. Anecdotal evidence suggests that some land agents are already alerting farmers that ploughing up their permanent pasture now could avoid the new greening rules.

The definition of permanent grassland
57. The definition of permanent grassland fails to distinguish true permanent grassland from pastures that are regularly reseeded. It specifies land that has not been in a crop rotation for five years or longer but doesn’t require that it has not been ploughed or reseeded in this time. While the last sentence is helpful in recognising the value of non-herbaceous species suitable for grazing, it does stipulate that grasses and herbaceous species must predominate – depending on the interpretation of ‘predominate’ this could render certain areas of biodiversity rich grazing land ineligible.

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17 Reg 73/2009 Article 6 (GAEC) on encouraging the maintenance of permanent pasture for its positive environmental effects
18 For example, as detailed in a letter to the Secretary of State for Environment, Food and Rural Affairs from members of Wildlife and Countryside Link, July 2009
19 “Land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or longer; it may include other species suitable for grazing provided that the grasses and other herbaceous forage remain predominant.”
A premium for extensively managed pasture

58. The RSPB has called for a Pillar 1 premium payment to provide support for extensively managed pasture. Such a mechanism is urgently needed to counter the pressure to abandon or intensify management and would be self-regulating on the basis that more productive pasture is unlikely to be entered due to the associated restrictions on management. These should include a ban on ploughing, reseeding or inorganic fertiliser application. There should be options for Member States to define maximum livestock densities and minimum management regimes. This premium would replace some measures under broad-and-shallow agri-environment schemes, freeing up funds for more targeted measures.

Crop diversity

59. This greening measure was originally ‘crop rotation’ rather than crop diversity but failed to make it into the final proposals due to the Commission’s insistence that crop rotation could not be delivered under an annualised, Pillar 1 approach.

60. While the measure could provide a basic level of crop diversity across the EU’s arable area it will therefore not deliver the proven benefit that agronomically sound crop rotations can do including: enhancing soil fertility; improving nutrient and water use and avoiding the build-up of pests and diseases.

61. There is also a significant risk that the measure could incentivise livestock farmers who grow a small area of crops for fodder to cease arable production altogether rather than be required to implement the crop diversity measure. In areas of the country where grassland systems dominate, pockets of arable production are extremely valuable resources for farmland birds. Any measure that may encourage farmers to move out of arable production would be very detrimental to such species.

62. There is therefore a need to amend this greening measure. Ideally, it would be replaced by a crop rotation requirement which could easily be verified at the farm level by checking records for which crops were planted in the previous years.

63. Alternatively, if the crop diversity measure is retained the minimum area threshold when the measure kicks in (currently proposed to be 3 ha) must be reviewed to avoid the perverse consequence of reducing arable production in grassland dominated areas. This could be a simple increase of the arable threshold (potentially determined at the Member State level following consultation with stakeholders) or a threshold relating to the proportion of arable land on the farm rather than the absolute area.

Question 2 – What will be the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

64. The scale and severity of environmental challenges facing EU farming mean that further greening of the CAP is not optional: it is a necessity, required to help protect the natural resource base of farming and the viability of farming, and food production, into the future.
65. Food security is rightly highlighted as a major issue related to the CAP. However, food security is about much more than the quantities of food grown. The reasons for world hunger can be better explained by poverty than by production problems: many people simply cannot afford to buy food. Increased production also does not automatically lead to less global hunger – the number of undernourished people in the world has increased by 9%, despite a 12% rise in global food production per capita since 1990. The most pressing problem currently therefore, is to address issues of global poverty and access to food rather than to increase the amount of food available.

66. While more food will need to be grown in the coming decades, the EU’s long-term food security depends on maintaining the productive capacity of agricultural land, including soil quality, soil carbon, water management and associated ecosystem services. Ensuring sustainable and sufficient food production systems is of paramount importance and the CAP can be a positive force in this context.

67. It is extremely difficult to determine what impact the proposed greening measures will have on EU food production. Several commentators have claimed that the EFA requirement specifically will result in 7% of productive agricultural land being taken out of production. This is clearly incorrect as the Commission’s proposals state that landscape features and certain land uses will be eligible. Where there are farms that contain no such landscape features or appropriate land uses (such as buffers), there is a clear need for such farms to incorporate them, both for environmental and agronomic benefit.

68. As an illustration, for the RSPB’s Hope Farm in Cambridgeshire, a conventionally managed arable farm growing winter wheat, oilseed rape and spring beans in rotation, neither the crop diversity nor the EFA requirement will pose any major implementation problems. The three crops sit comfortably within the size thresholds as set out by the proposals (the main crop cannot count for more than 70% of the farm, the third no less than 5%). The farm’s field management measures under Environmental Stewardship (ELS), such as buffers, pollen and nectar mixes and skylark plots account for about 5% of the farm area. Including the farm’s hedgerows and other landscape features would bring the total to comfortably over 7%.

69. An assessment of the EFA requirement has also been carried out by the Institute for Agroecology and Biodiversity (IFAB) on its impacts on winter wheat production. This study used a higher EFA requirement than the 7% proposed (10%) and took a conservative approach to how much land landscape features would account for (2%). It found that there would be a short term drop of yield by 4.9%, but by 2020 yields would be about 4% higher than 2013 due to projected productivity improvements in cereal production. It also found that the annual yield fluctuation for winter wheat in Germany is higher than the effects of an EFA-introduction.

70. Research from the farming industry itself also suggests that the projected impacts from greening requirements on food production are likely to be non-significant. Written in the context of feed stocks for anaerobic digestion, the industry states that increasing crop rotations to include a (feed

21 ADBA, CLA, NFU & REA (2011) The case for crop feed stocks for Anaerobic Digestion: A Joint briefing paper
stock) break crop would lead to a reduction in second wheat output of 3.5% in the UK. It specifically states that this “difference in output may be seen as a modest change” (pg 25).

Question 3 – Are the greening proposals consistent with the CAP simplification agenda?

71. The Commission’s proposals for reform are certainly not simple, however it must be recognised that in order to deliver environmental and societal benefits, the Policy will need a degree of complexity.

72. While many Pillar 2 schemes, such as effective and well designed agri-environment schemes are not simple, they do deliver clear benefits. As such, the RSPB maintains that a simpler and more effective CAP structure would be a one-Pillar approach based on the current Pillar 2.

73. However, this reform round will not see the CAP evolve significantly from its current architecture and greening must therefore be achieved across both Pillars in as simple a way as possible whilst still achieving clear environmental benefits.

74. In the context of Pillar 1 cross compliance, some of the simplification proposals if implemented will undermine the Policy’s environmental performance. As highlighted in Section 1 above, there are extremely worrying proposals to remove Articles relating to the Birds and Habitats Directives from the scope of cross compliance. The RSPB supports the principle of moving to more efficient regulation, which reduces unnecessary burden while improving outcomes. However, maintaining environmental standards must be non-negotiable and improving environmental delivery is urgently needed.

Question 4 - How can greening pillar 1 can be made coherent with agri-environment schemes?

75. The proposed greening measures must complement and underpin agri-environment schemes. If executed well, greening provides an opportunity to improve agri-environment delivery by acting as an enhanced baseline upon which such schemes operate.

76. However, as highlighted above, managing the transition to the new CAP will be key and farmers who are already in an agri-environment scheme when greening measures become mandatory must be able to count their appropriate agri-environment options towards their greening requirements.

77. It is also extremely important that positive management of EFA land is explicitly encouraged through agri-environment schemes to get maximum benefit from the EFA measure.

Question 5 – What are your recommendations for improving the greening proposals?

78. There is significant scope to improve the Commission’s proposals in relation to the environmental performance of the CAP. As emphasised above, this includes specific recommendations for the Pillar 1 greening measures but also encompasses other aspects of the existing CAP:

   i. Funding for Pillar 2 in the UK must be increased in line with the scale of need for environmental improvements. If an adequate Pillar 2 allocation is not secured for the UK, measures to shift Pillar 1 funds into Pillar 2 (modulation) must be deployed. Other Pillar 1 means of improving the CAP’s environmental performance must also be fully explored including the use of national envelopes or the proposed top-up payments to support environmentally beneficial farming
systems. Within Pillar 2, the funding for agri-environment schemes must be guaranteed through ring-fencing. The RSPB does not believe that 25% is adequate and while we are confident that each of the UK Administrations will continue to deploy the majority of Pillar 2 funds to agri-environment schemes, the same confidence cannot be shown cross Europe. Therefore, this ring-fenced amount should be increased to at least 30%.

ii. Cross compliance must be addressed to correct its existing shortcomings and to prevent erosion of existing standards.

iii. Adequate funding must be directed to High Nature Value systems, ideally through a bespoke top-up payment but in its absence through an improved Less Favoured Area approach, national envelopes and through Rural Development measures (including the ability for Member States to develop sub programmes within their Rural Development Programmes).

iv. Specific and additional Pillar 1 support for organic farming.

v. Specific and adequate support for farms in Natura 2000 sites, linked to management plans.

vi. Each of the proposed Pillar 1 greening measures must be designed so they deliver genuine environmental benefits – see above for more detailed recommendations against each of the three measures.

vii. The package of greening measures should be enhanced to include soil cover where soil is not left bare for more than 5 consecutive weeks in either arable land or permanent crops. This can be met through optimisation of crop rotation (between spring and autumn crops), by leaving stubbles over winter, by planting catch or cover crops or by allowing native vegetation cover.

viii. Sanctions for farmers and land managers who fail to carry out Pillar 1 greening measures must be severe enough to act as genuine deterrent. This may mean reductions exceeding the 30% greening payment itself may be required.

November 2011
Summary

- To be competitive UK farmers need to be treated on the same basis as their EU counterparts in the treatment of direct payments
- Greater emphasis needs to be given by the CAP to food security
- Many aspects of the Commission’s proposal are unclear
- The greening proposals:
  - may create perverse incentives,
  - will negatively impact on productive efficiency,
  - will be complex to administer.
- Greening must be made compatible with agri-environment schemes
- Farmer participation in greening measures should be voluntary
- The Commission must continue to play a role in managing extremes of price volatility
- There should be an adequate transition period to areas based payments to give farmers time to adapt

Introduction

1. Dairy UK represents the interests of dairy farmers, producer co-operatives, manufacturers of dairy products, and processors and distributors of liquid milk throughout the United Kingdom. Between them Dairy UK’s members collect and process about 85% of UK milk production.

2. Dairy UK welcomes the inquiry by the Committee into the greening of the CAP. The Commission’s proposals could have far reaching implications for the dairy sector.

3. The dairy industry takes its environmental responsibilities seriously. The UK dairy industry leads the world with the Dairy Roadmap which sets out challenging targets to improve its environmental performance. The dairy industry also aspires to be globally competitive and operate without public support. However, the industry operates within the context of the European single market and CAP direct payments play a significant role in determining the supply/demand balance for agricultural commodities within the EU. The function of direct payments in providing income support to farmers is explicitly acknowledged by the Commission. Therefore to be competitive UK dairy farmers need to be treated on the same basis as their European counterparts in the distribution of direct payments.

4. UK dairy farmers have the opportunity to contribute to EU and global food security. It is therefore important that the reform of the CAP does not unnecessarily impair the productive efficiency and competitiveness of UK dairy farming. The emphasis of the Commission’s proposals is largely directed towards environmental issues and the political legitimization of CAP expenditure. There is little in the package that actually assists the UK dairy industry in meeting the challenge of maintaining and improving its competitiveness in an increasingly globalised market place. The CAP is evolving away from market management; as a result industry exposure to world market price trends is increasing. This is creating a more volatile and challenging commercial environment for the dairy industry. The CAP should not impair
the ability of the dairy industry to respond to this challenge and should do more to assist improvements in long term competitiveness.

5. Several major elements of the Commission’s proposals are unclear. In the time available it has not been possible to fully evaluate their potential impact.

Question 1: Whether the proposal to green direct payments will generate significant environmental benefits.

6. The Commission has not presented any significant body of evidence on the exact environmental benefits that will flow from greening.

7. It is possible that the Commission’s proposals will generate perverse incentives that could lead to farmers operating in exactly the opposite way intended, e.g.;
   - Maintenance of permanent grassland: by measuring the requirement to maintain permanent grassland against a specific base year, farmers may be incentivised to plough up grassland now in order to avoid being bound by this restriction.
   - Crop rotation: dairy farmers that only plant a small quantity of maize, and for which planting three separate crop types would be wholly impractical, may give up the practice with a consequential impact on biodiversity.

8. The greater the impacts on competitiveness and farm profitability the less able farmers are to afford voluntary actions or activities that provide environmental benefits. Consequently there is a risk that any erosion of profitability would put farmers under a stronger commercial incentive to intensify farming practices, which may create negative environmental consequences.

Question 2: The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

9. The proposals will negatively impact on food production and the competitiveness of the UK dairy industry.

10. Farming practices are driven by the market and the consequential need to achieve productive efficiency. Greening will compel farmers to undertake actions they otherwise would not choose to do in normal circumstances;
   a. A requirement for ecological focus areas will reduce the land area under cultivation.
   b. Requiring a minimum of three crops puts restraints on specialisation in the crops most appropriate for a specific area.
   c. Maintenance of permanent grassland will prevent farmers from exploiting commercial opportunities in the arable sector.
11. The negative impact on food production and competitiveness is confirmed by the Commission’s staff working paper on the impact of greening which shows that:

   a. Compared to the rest of the EU, farms in England will be disproportionately affected by the cost of maintaining permanent pasture
   
   b. UK farm income will fall by -4.8%
   
   c. EU dairy farm income per worker will fall by -5.3%

12. This broadly negative analysis is confirmed by a paper from the AHDB on the impacts of greening on the UK agricultural sector.

13. The impact of maintaining permanent grassland on the productive capacity of dairy farms depends on the details of any obligations finally agreed. To be productive grassland needs renewing. The productive capacity of grassland is usually exhausted after a certain time period, ranging from less than five years to up to seven to eight years (depending on soil type) after which re-seeding is required. To prepare the land for re-seeding farmers can either use pesticides, or ploughing, followed by a break crop, after which the land is re-seeded. It is important that any final regulation recognises the diversity of practices used by farmers and the circumstances in which they operate.

14. The impact on production and competitiveness would be reduced if farmers could decide on an annual basis whether or not they wished to implement greening measures and forgo some or all of the 30% of the single farm payment.

15. It is not clear whether this would be possible under the Commission’s proposal. The wording implies that greening criteria are mandatory on all farmers if they wish to receive direct payments. If this is the case then the assignment of 30% of direct payments to greening measures is entirely superficial.

16. If, however, the 30% is linked to greening, then farmers must be given a choice of whether or not to participate. In addition, the 30% should be broken down to specific elements of the greening proposal, so farmers could choose from a menu of options. This would allow the farmers the ability to respond to market developments.

Question 3: Consistency of the greening proposals with the CAP simplification agenda

17. The Commission’s proposals are wholly incompatible with the simplification of the CAP. The greening proposals imply the maintenance of complex farm records that would have to detail the crops sown in every field and the area covered along with appropriate supporting documentation. This would have to be accompanied by an inspection and verification regime.

Question 4: How greening pillar 1 can be made coherent with agri-environment schemes

18. Another potentially perverse incentive may flow from the way in which greening requirements are reconciled with the operation of agri-environment schemes. If greening requirements for ecological focus areas are removed from existing agri-environment schemes, then it may no longer be attractive or viable for dairy farmers to participate in these schemes.
Question 5: Recommendations for improving the greening proposals

19. The generalised approach through pillar I being advocated by the Commission; attached as it is to the threat to farmers of losing part or all of their direct payments; which does not take account of specific needs of EU regions; or the existing achievements by Member States, may not be the best approach to achieving environmental improvements. On the other hand, agri-environment schemes based on compensation for income forgone have shown themselves to be effective instruments for achieving targeted environmental objectives whilst winning farming engagement.

Question 6: Other elements of the CAP proposals

20. Dairy UK welcomes the Commission’s proposals to maintain a minimum number of market management instruments to provide a safety net against extreme downward price movements. Price volatility is inherent in de-regulated agricultural commodity markets. It can be unnecessarily destructive of productive potential and economically de-stabilising. We welcome the Commission’s acknowledgement that the CAP still has a role to play in this area.

21. Dairy UK is concerned over the funding for safety net measures. The proposal implies that funds can only be accessed through the process of co-decision with the Council and Parliament. This may not provide the rapidity of intervention required to stabilise markets.

22. The package requires the reallocation of pillar I and pillar II funds between Member States. As yet there are no proposals on the allocation of pillar II funds. It is important that the UK argues for a fairer distribution of rural development funds to the UK on an objective basis.

23. Dairy UK is strongly opposed to the capping of direct payments to large farms. Whilst this measure is unlikely to affect a significant population of dairy farmers, it is nevertheless sends the wrong signal about the future desired development of EU agriculture.

24. The Commission is committed to abolishing the historic allocation of direct payments. The transition period of five years is too abrupt. The wording of the proposal implies that 40% of payments would have been calculated on a flat rate basis in the first year. However, this ignores the 30% that would be accounted for by greening measures, which implies a more rapid rate of adjustment. Dairy farmers will suffer disproportionately from the move to area based payments. It is important that there is an adequate transition period to give them time to adapt.

25. Dairy UK welcomes the Commission’s effort to define an active farmer, but it is important that this does not lead to bureaucratic complexity and perverse incentives.

16 November 2011
Written evidence submitted by The Woodland Trust (GCAP 23)

1. The Woodland Trust is the UK’s leading woodland conservation charity. We have three aims: to enable the creation of more native woods and places rich in trees; to protect native woods, trees and their wildlife for the future; and to inspire everyone to enjoy and value woods and trees. We own over 1,000 sites, 20,000 ha, of which 20% is farmed. We have 300,000 members and supporters.

Summary

2. Whilst we recognise that the European Commission wants to take steps to achieve better environmental results across the whole of the Common Agricultural Policy the very nature of that aim means using very simple, generic actions which are unlikely to achieve significant environmental benefit.

3. The greening proposals are limited in extent and already have the potential to be better achieved in the UK through a combination of cross compliance and agri-environment schemes.

4. If greening of Pillar 1 is to go forward then Ecological Focus Areas should include trees planted to address farm scale issues however they were funded.

5. The budget currently assigned for greening Pillar 1 would achieve better results added to Pillar 2 to support country specific rural development.

Whether the proposal to green direct payments will generate significant environmental benefits

6. The CAP remains the largest factor in agricultural land-use in the UK and therefore a key issue for woodland conservation. Increased tree cover is recognised as a means of mitigating climate change, achieving benefits for agriculture and agricultural adaptation to future climate changes and delivering a wide range of benefits to society\(^{1,2}\).

7. Pillar 1 still represents 75% of the overall CAP budget with only 25% of the budget being used for country specific, rural development which supports dynamic and sustainable rural communities including the environment.

8. Previous experience has suggested that significant environmental benefits are best achieved when schemes are clearly targeted, multi-annual and supported by advice and monitoring.\(^3\)

9. The greening proposals as currently proposed are poorly targeted, not taking account of regional variations in landscape character or farming system. The “one size fits all” nature of the proposals might appear to meet the aims of simplification of the overall CAP but fails to support farmers who will now have to push their farm management into potentially uncomfortable systems to avoid losing money.

10. Ecological Focus Areas provide an opportunity to support positive environmental benefits at a farm scale. From a woodland point of view, however, they only apply to land already planted under pre-existing schemes which seriously limits the land available to take up this option.
11. Ecological Focus Areas specifically mention the potential for buffer strips, but unless the land has already been planted these strips will be grass buffers. Buffer strips with trees have been shown to be more efficient in some situations. Under the current proposals there is no potential for bringing in land specifically planted in response to farmscale issues unless the funding was originally provided by a previous Rural Development Plan scheme, this is surely contradictory to the aims of the greening process.

12. There are no suggestions for the future of greening in the next reform of the CAP such that trees planted within the 2014-2020 period would be considered for any future greening element.

**How greening pillar 1 can be made coherent with agri-environment schemes**

13. The last two reforms of CAP have seen a move to countries developing broad and shallow agri-environment schemes which allow an entry point for all farmers, alongside the more targeted and specialized environmental schemes which only some farmers can access.

14. In England the Entry Level Scheme has been very successful in enabling farmers to undertake simple, environmentally beneficial actions which relate to their landscape and farming styles and has also acted as a means of introducing agri-environment mechanisms to a skeptical audience.

15. In order for the proposed greening of Pillar 1 to be operational it will be necessary for some existing conditions to be removed from cross compliance (Good Agricultural and Environmental Conditions) and, in England, some measures to be removed from the Entry Level Scheme. This is confusing and complicates an already complex process of grant and entitlement management.

*November 2011*

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1 Sudmeyer, R., Hall, D. and Jones, H., *The effect of tree windbreaks on grain yield in the medium and low rainfall areas in Western Australia*, Department of Agriculture and Food, Western Australia, downloaded at: http://www.agric.wa.gov.au/PC_91078.html?s=1001


3 Crunch Time for CAP: choosing the right tools for a richer countryside. Wildlife and Countryside Link 2011

Overview

1. The greening proposals for the Common Agricultural Policy as set out by the EU, should they eventually be adopted in the UK, could benefit tree planting in two ways: by allowing all recipients of agri-environment schemes to automatically qualify for the greening payment; this would encourage farmers to continue to use agri-environment funding to integrate tree planting and management into the everyday management of their land.

2. By promoting tree planting as a means to achieve greening payments for those who are not part of agri-environment schemes, this would enable farmers to undertake measures that would truly deliver environmental benefits.

3. The EU has confirmed that trees planted under Rural Development Regulations schemes within the upcoming period 2014 – 2020 will qualify for inclusion within Ecological Focus Areas.

Woodland, productive agriculture and the wider landscape

4. For centuries native trees and woods have provided services and benefits to farmers and society. The Woodland Trust believes that an increase in native trees and woods can play a vital role supporting productive agriculture and helping farms adapt to climate change, whilst providing a range of benefits to society as a whole.

5. Woodlands provide a wide range of ecosystem services. These include provisioning (e.g. fuel and fibre), supporting (e.g. soil formation), regulating (e.g. climate, flood hazard, noise, and air quality regulation), and cultural (e.g. cultural heritage, amenity, health, recreation and tourism) services. Ecosystem service provision is sensitive to land management objectives.

6. Woods and shelterbelts increase water infiltration reducing surface runoff. Studies at Pontbren in Wales have found that soil infiltration rates are up to 60 times higher under young plantations than heavily grazed pasture, with infiltration rates improving by 90 per cent within two years of tree planting. When used as buffer strips alongside watercourses or planted on steep slopes or along contours, trees and hedges reduce sedimentation and runoff of manure and fertiliser following heavy rainfall by as much as 90 per cent. This prevents loss of soil and nutrients from the farm and improves water quality downstream.

7. Trees provide the added advantage of offering shade to watercourses which lowers the water temperature and improves oxygen levels in the watercourse to the benefit of fish and other wildlife.

8. Expansion of native woodland to buffer and extend habitat, particularly ancient woodland and semi-natural habitats, can help increase their resilience to climate change by reducing the impact of activities on adjacent land. It also provides space for wildlife to spread out from existing habitat.
9. Newly created woodland can see a rapid increase in the abundance of insects amongst
establishing trees, attracting birds, particularly species of open country such as skylarks and
linnets. The abundance of insects also attracts foraging bats; up to nine species of bats have been
found to use even very early stage woodland6.

10. Whilst many of the less mobile plants associated with ancient woodland will not colonise for
many years, other woodland plants, such as lords-and-ladies, herb-robert, wood avens and
honeysuckle are faster to colonise.

11. Targeted woodland creation may also help the movement of species through the landscape as
climate change alters their natural range7.

12. The planting of individual trees is also important, providing habitat for many species and
‘stepping stones’ across the landscape. Many of our most important ancient trees are found in
fields and along hedges; providing the next generation of ancient trees is vital to the survival of
species reliant on this habitat.

13. To ensure that native trees and woodland can make a full contribution to adaptation of farming
and providing wider benefits to society we would like to see greater financial support and advice
for farmers for tree planting and woodland creation, particularly for;

- Creation of shade and shelterbelts which improve animal welfare, protect crops and reduce
  energy consumption
- On farm energy production from woodfuel
- Screening of livestock housing to help capture emissions of ammonia and other pollutants
- Use of native trees to create buffer strips for watercourses and woodland which can help to
  attenuate flooding
- Expansion of areas of ancient woodland through native woodland creation
- Native woodland creation which contributes to the movement of wildlife across the landscape
- More individual trees in the landscape including in fields and hedges

20 December 2011

1 Valatin, G. & Starling, J. (2010) Economic assessment of ecosystem services provided by UK Woodlands. The
Economics Team of the UK National Ecosystem Assessment, Forest Research.
2 Macaulay Land Use Research Institute, Agroforestry Forum, downloaded at:
http://www.macaulay.ac.uk/agfor_toolbox/manage.html
land reduce flood risk?’, Soil use and management, 20, pp 357-359
water management, The Woodland Trust, Grantham
5 Forest Research, The role of riparian shade in controlling stream water temperature in a changing climate. Available
at: http://www.forestrystudy.gov.uk/riparianshade
Sussex, East Malling Research Station, Kent
7 Woodland Trust, Space for Nature.Available at: http://www.treeforall.org.uk/AboutTreeForAll/
WhyTreeForAll/Science/spacefornature.htm
Written evidence submitted by the Fairtrade Foundation (GCAP 24)

EU proposals to ‘green’ the Common Agricultural Policy specific to cotton

Background to Fairtrade
The Fairtrade Foundation is the independent non-profit organisation that licenses use of the FAIRTRADE Mark on products in the UK in accordance with internationally agreed Fairtrade standards defined by the ‘Fairtrade Labelling Organisations International’ (FLO). The Foundation was established in 1992 by a group of Civil Society organizations with an interest in international development and social justice. The Foundation is a registered charity (no. 1043886). It is also a company limited by guarantee, registered in England and Wales (no. 2733136).

The Fairtrade Foundation adheres to the definition of Fair Trade developed by the main Fair Trade networks and recognized by the European Parliament (2006), the European Economic and Social Committee and the European Commission:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South”.

Through demonstration of alternatives to conventional trade and other forms of advocacy, the Fairtrade movement empowers citizens to campaign for an international trade system based on justice and fairness.

1. INTRODUCTION

CAP has been the subject of a lot of changes during the last decade. Even though it has arguably maintained the idea of ‘agriculture exceptionalism’ – as subsidies concerned – by justifying the payment of subsidies to farmers as a need to keep European productivity levels high, as described in the Treaty of Rome, in recent times it has become difficult to defend the exceptional need of European agriculture subsidies, environmental arguments have been ‘coupled’ with agrarian ones to justify the need to keep farmers on the land. Its objectives have also been changed moving towards greener schemes and moving away from production-oriented policy. While on the one hand is difficult to cut agriculture subsidies all together, on the other hand is slowly reducing subsidies in order to give farmers enough time to adjust and become more compatible in the international market. It has also been argued that subsidies is what keeping farmers producing more and therefore can be seen as a motive to work. Main purpose is eventually to cut away from producing and concentrate on conservation issues by promoting sustainability.¹ That’s why the last years CAP has introduced several environmental schemes for farmers to comply through the cross-compliance mechanism – which means they have to keep their land in good condition, also known as the ‘notion of good environment condition’ - that in order to receive the subsidies, certain environmental standards have to be complied. These schemes are also needed as CAP also has to adjust with the new EU Sustainable Development Indicators (SDI) that have been introduced as part of the EU Sustainable Development Strategy in 2009² that will last until 2020.³

¹ Meri Juntti, Duncan Russel, John Turnpenny Evidence, politics and power in public policy for the environment (2009)
² http://ec.europa.eu/environment/eussd/
³ http://ec.europa.eu/resource-efficient-europe/index_en.htm
The previous year though have shown that environmental directives are not that easy to monitor at all, even though in theory CAP is going towards a ‘greener’ direction, only 5% of the farmers that receive subsidies are actually checked each year which raises questions about the reliability of the monitoring part of CAP.

EU MSs have been asked to prepare a set of SDI independently in order to integrate them into their national system but as happens with all environmental directives there is enough space left to MSs to define what the standards of these indicators are and suit it independently. It is worth noting that Greece’s means of measuring sustainability – meaning monitoring, evaluating and improving strategic development decision making – are still underway, while the rest of EU 15 are doing very well. Though this might be justified with the recent economic problems that the country is having, and therefore, such a strategy should also mean to be integrated with the economic strategy. After 2004 and the part decoupling: In Spain, there was reduction in the number of cotton farms by 45% and a 27% of reduction in performance. In Greece, the farm reduction was only 4% for the number of cotton farms and a 24% of performance. Nevertheless this reduction was only based on the bad weather conditions rather than the CAP reform.

As far as European cotton production is concerned, it falls under these predominantly environmental indicators (SDI) as set by the EU:

- Climate change and clean energy
- Conservation and management of natural resources
- Sustainable consumption and production

In the following pages, it will be discussed how far cotton production is actually undermining in any way these already mentioned indicators by examining cotton footprint as well as water footprint concentrating in the following facts:

1. Cotton yields have been steadily increasing worldwide since the 1930s while the total cotton growing area has not. Extensive agriculture practice can only be achieved with use of fertilizers and irrigation as groundwater cannot cover the needs of cotton production. This kind of practice can only lead to eventual abandonment of the land as has already been seen in Northern Spain. (APPENDIX 1) Countries with largest yields are those where irrigation is extensively used and pesticides are intensively applied. GM cotton is used in some areas in the last decade but new studies have shown that GM cotton seeds are actually not as sustainable as it was thought because new kinds of secondary pests have emerged as a result and have become more resistant to it and it is no longer capable of killing pests, and furthermore leading to a new generation of pests that were not seen as a threat in the past. There’s a Greek and an EU legislation that forbids the use of mutant cotton seeds. (in Greece KYA 332657/21-2-2001, FEK176).

2. Because of the extensive use of water salinization cannot be avoided in semiarid Mediterranean climates (such as Spain and Greece) where evapotranspiration exceeds both rainfall and the amount of fresh water used for irrigation. Cotton has been sown under plastic

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in order to improve water management but this in turn affects the look of the landscape and poses problems for waste material recovery and recycling.

3 Lately, cotton’s contribution to pollution of water table and surface with nitrates is considerable and some areas of Greece have been classified as ‘vulnerable’ under the Nitrate Directive.

4 The lack of crop rotation in some areas risks exhausting the soil in time while intensifying soil erosion in already fragile areas (linked with point 1). This fact also increases the plant health risks and in time can lead to increased use of pesticides. In addition, pesticides are killing non-target organisations causing chain reactions to biodiversity.

5 There is also need for farmers’ education; it’s been proven that there could be a reduction of more than 30% of pesticides used in cotton production if farmers only knew how to use them properly.

Worldwide cotton ecological footprint⁷:
- It covers 2.5% of the world’s cultivated land but uses 16% of the world’s insecticides, more than any other single major crop.
- High levels of agrochemicals are used in the production of non-organic, conventional cotton. Cotton production uses more chemicals per unit area than any other crop.
- The chemicals used in the processing of cotton pollute the air and surface waters.
- Decreased biodiversity and shifting equilibrium of ecosystems due to the use of pesticides.

Water footprint of cotton consumption⁸:
- Linked to a chain of impacts on the water resources
- Evaporation of infiltrated rainwater for cotton growth
- Withdraw of groundwater or surface water for irrigation or processing
- Water pollution during growth or processing

2. RESEARCH FINDINGS:

2.1. Groundwater quality and location of productive activities in the region of Thessaly (Greece) (2007)
Department of Medical Laboratories, Education and Technological Institute of Larissa (GR), Department of Planning and Regional Development, University of Thessaly (GR), Department of Geology and Geo-environment, Laboratory of Climatology and Atmospheric Environment, University of Athens, General Department of Mathematics, Technological Education Institute of Piraeus (GR), co-funded by the European Social fund and National Resource – EPAEK II⁹

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⁷ http://www.cottoninc.com/Habitat-and-Biodiversity/Environmental-Impact-of-Cotton-Production/
2.1.1. SUMMARY:

Assessment of the groundwater quality on the basis of physical and chemical analysis and sodium absorption ratio for the period 2000-2004. The results reveal that in the region of Thessaly, agricultural and animal husbandry activities are important factors that contribute to nitrate pollution of groundwater. They also indicate degradation of groundwater quality mainly because of the pollution caused by the rural use of land and its intensive exploitation. The salination and toxicity are potential problems of groundwater quality indicating that there is a need to take direct actions for the purpose of the optimum management of water resources in the Region of Thessaly.

2.1.2. SYNOPSIS:

"The population density in bid cities as well as industrial development and intensive land cultivation in which chemical are involved, contribute to increased gathering of anions, heavy metals and toxic substances (pesticides and their metabolites) in both water and soil. Moreover, groundwater pollution depends on insufficient management of urban, industrial and domestic wasters, organic compounds and pathogenic microorganisms, which are found in groundwater receivers. Additionally, excessive and uncontrolled uses of detergents, pesticides and fertilizers have a negative impact to quality of water receivers. Especially, irrigation in hot and dry areas contributes in the transfer and deposition of inorganic compounds and salts in unsaturated soil’s zone. [...] Over the past 20 years the intensification of agricultural and animal husbandry production, which is enforced by E.U. agricultural policy, creates serious environmental problems connected with the exhaustion of natural resources. It should be noted that E.U. have proposed new Groundwater Directive, which is built on the requirements of Art. 17 of the Water Framework Directive (2000/60/EC). In particular, it assesses the options of evaluating the chemical status of bodies of groundwater, and for identifying and reversing significant upward trends in the concentrations of pollutants. It also assesses measures to prevent and control groundwater from point and diffuse sources of pollution."10

2.1.3. RESULTS11:

"[...] The nitrate pollution in each area is very important and must be assessed. From the concentration level of nitrate ions it can be concluded that in areas where intensive agriculture activities take place groundwater is more degraded compared to other regions. In these areas the nitrate ions concentration level is increased and exceed the allowable limits. A possible negative health effect of high nitrate concentrations is methemoglobinemia, especially for infants. Nitrate are noticeable throughout the entire region rendering most underground water improper for human consumption. [...] (The areas with higher levels of nitrates) are characterized by intense industrial and agricultural activity and the high nitrate concentrations in groundwater are related to wastes and over-fertilization, respectively [...] resulting in groundwater pollution." Coastal areas have also been affected and have considerable higher levels of sulphates and chlorides in relation to other areas and it can be attributed to the fact that the vast majority of agricultural and industrial wastes are drained usually in particular sites in coast areas. "[...] a number of actions must be taken when these waters are used for irrigation [...] and should take special actions in order to avoid the degradation of groundwater and soils. [...] Additionally, from the determined concentration of boron it is found that there is relatively danger of boron toxicity of irrigation water in this area."12

2.1.4. ENVIRONMENTAL PROBLEMS MET IN THE STUDIED AREA

10 p.209-210
11 Only those in relation to cotton production and agriculture in general
12 P.214-215
• Pollution from the discharge of municipal sewage, industrial waste and agricultural runoff to the soils
• Uncontrolled disposal of municipal refuse
• Overuse of the water resources
• Uncontrolled use of pesticides and air spraying practices. The agricultural cultivations in this area are cereals, cotton, sugar, lets, tobacco etc. The average fertilization of soil by fertilizers reached 15 mg kg\(^{-1}\) of soil. Over the past 10 years the total quantity of N- and P-fertilizers created unfavourable conditions for the environment.\(^\text{13}\)

2.2. THE ENVIRONMENTAL IMPACTS OF TRADE LIBERALISATION AND POTENTIAL FLANKING MEASURES\(^\text{14}\)

2.2.1. SUMMARY:

The major environmental issues that arise in Europe in regard to the cotton sector are water mismanagement and the use of pesticides. Pressures have been exacerbated as production has intensified in order to meet global demand.

\(^{13}\)P. 215-216
### Table: Summary of environmental impacts of liberalised trade on cotton products, and potential flanking measures. Key impacts in bold.\(^{15}\)

<table>
<thead>
<tr>
<th>Type of impact</th>
<th>In Europe</th>
<th>European flanking measures</th>
<th>Outside Europe</th>
<th>Flanking measures for effects outside Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land use/landscape</td>
<td>Landscape change and perhaps a minor chance of some land abandonment as cotton production becomes no longer viable in Greece and Spain. NB: for Turkey, impacts are as for outside Europe’</td>
<td>In Greece and Spain alternative management of the land could be ensured through cross compliance measures (e.g. GAEC) and Rural Development measures such as support for organic cotton farming. Outright land abandonment seems unlikely in most cases. No new measure needed.</td>
<td>Continued dam building, ecosystem destruction and changes in water flow in areas of irrigated production. Increased land reclamation and habitat destruction, especially in West and Central Africa and Brazil.</td>
<td>Best addressed through local regulation - no new measures needed. Softer measures such as technical assistance may be useful.</td>
</tr>
<tr>
<td>Soil</td>
<td>Decline in salinisation; longer term improvements to soil fertility; decreased soil erosion in Greece and Spain. NB: for Turkey, impacts are as for outside Europe’</td>
<td>Not needed.</td>
<td>In irrigated areas: increased salinisation, leading to land abandonment. In all areas where pesticides and fertilisers are used intensively: decline in soil fertility, increased soil erosion leading to land abandonment</td>
<td>Largely to be addressed locally. Some issues could be addressed through certification schemes and provision of technical assistance.</td>
</tr>
<tr>
<td>Water quality and supply</td>
<td>In Greece and Spain, decreased reliance on surface and groundwater resources if cotton production is not replaced by another irrigated crop. Assuming Turkey accedes to the EU cotton production could be required to meet cross compliance measures (e.g. GAEC) and Rural Development measures</td>
<td>Not required so long as cotton production is not replaced by another equally water intensive crop.</td>
<td>In irrigated areas: Increased chance of water resource mismanagement through the intensive and unsustainable use of surface and groundwater resources. Leads to low water tables, salinisation, ecological disturbance to water sources. In non-irrigated areas: Chance that farmers in areas of rain-fed cotton may look to irrigation systems to</td>
<td>Largely to be addressed locally. Some issues could be addressed through certification schemes and technical assistance.</td>
</tr>
</tbody>
</table>

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\(^{15}\) P.130-134
<table>
<thead>
<tr>
<th>Type of impact</th>
<th>In Europe</th>
<th>European flanking measures</th>
<th>Outside Europe</th>
<th>Flanking measures for effects outside Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource use/waste (pesticides)</strong></td>
<td>As cotton production no longer becomes viable in Greece and Spain there will be a reduction in pesticide application and associated problems of runoff and contamination, as cotton production is unlikely to be replaced by an equally pesticide intensive crop.</td>
<td>Not required so long as cotton production is not replaced by another equally pesticide intensive crop. When Turkey accedes to the EU, cotton production could be required to meet cross compliance measures (e.g. GAEC) and Rural Development measures which support more sustainable pesticide application.</td>
<td>Increase in pesticide application to combat pests, leading to increase in poisoning incidences, increased runoff and contamination of soils and water.</td>
<td>Largely to be addressed locally. Some issues could be addressed through certification schemes and technical assistance.</td>
</tr>
<tr>
<td><strong>Biodiversity</strong></td>
<td>Reduced chance of poisoning of wildlife and contamination of habitats by direct application of pesticides and fertilisers, indirect application of pesticides and fertilisers, (e.g. spray drift) and diffuse pollution into water sources, leading to problems such as eutrophication.</td>
<td>Not required so long as cotton production is not replaced by another equally pesticide intensive crop. When Turkey accedes to the EU, cotton production could be required to meet cross compliance measures (e.g. GAEC) and Rural Development measures which support more sustainable pesticide application.</td>
<td>Increased chance of poisoning of wildlife and contamination of habitats by direct application of pesticides and fertilisers, indirect application of pesticides and fertilisers, (e.g. spray drift) and diffuse pollution into water sources, leading to problems such as eutrophication. Decrease in biodiversity in areas of monocultural production. Fragmentation and destruction of habitats through expansion of growing area and through damming.</td>
<td>Biodiversity considerations could be added to certification schemes, and technical assistance could provide farmers with knowledge of more sustainable farming techniques such as IPM.</td>
</tr>
<tr>
<td><strong>Air quality</strong></td>
<td>No associated changes as a result of trade liberalisation</td>
<td>No flanking measures are needed.</td>
<td>Increased chance of dust storms caused by soil erosion in areas of monocultural production</td>
<td>Development of a code of good practice to manage pesticide application, sustainable agricultural techniques etc.</td>
</tr>
<tr>
<td>Type of impact</td>
<td>In Europe</td>
<td>European flanking measures</td>
<td>Outside Europe</td>
<td>Flanking measures for effects outside Europe</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Climate change/greenhouse gases</td>
<td>No associated changes as a result of trade liberalisation.</td>
<td>No flanking measures are needed.</td>
<td>Unclear.</td>
<td>Code of good practice.</td>
</tr>
<tr>
<td>Plant and animal health</td>
<td>Decreased chance of pest invasion as cotton production declines in Greece and Spain. Pests will continue to pose a problem for cotton growing areas in Turkey.</td>
<td>No flanking measures are needed if cotton production declines. Organic and IPM techniques should be encouraged. Technical assistance to provide farmers with knowledge of more sustainable farming techniques such as IPM; development of organic cotton farming and labelling initiative; development of a code of good practice to reflect more sustainable farming techniques; further research into GM varieties.</td>
<td>Increased chance of pest invasions in areas of cotton production.</td>
<td>Largely to be addressed locally - it does not seem appropriate for the UK to seek regulatory flanking measures to address this issue.</td>
</tr>
<tr>
<td>Distributional impacts</td>
<td>Greece and Spain will experience reduced environmental problems as a result of the reduction in production. The impacts in Turkey are likely to be similar to those outside Europe.</td>
<td>Flanking measures will need to mitigate against any problems that occur as a result of pesticide usage and irrigation or the growth of replacement crops. The EU can provide the framework to ensure cotton production in Turkey becomes sustainable, especially given the drive to increase production through the extensive irradiation of the south-east Anatolia region.</td>
<td>All of the above problems could occur in areas dominated by irrigation i.e. Turkey, Pakistan, Uzbekistan, Australia, Mexico. All other problems could occur in West and Central Africa, Brazil and India. The environmental impacts above could be less severe in the USA as production declines.</td>
<td>Flanking measures should reflect issues specific to developing countries and whether cotton is irrigated or rain-fed. The most important measure for developing countries is to manage the use of pesticides, either by reducing (IPM) or eliminating (organic) their usage. Flanking measures will still need to mitigate against problems as production is not likely to cease completely.</td>
</tr>
</tbody>
</table>
3. Recommendations

After the CAP decoupling of subsidies there haven’t been many cases of research yet regarding the cotton production in Greece, firstly because of the small scale of the production in the country in regard the international market (researchers prefer to do studies in areas such as China where there more cotton farms) and secondly because this kind of researches are usually funded by national governments. There have been studies to specific locations of Greece where there is intensive cotton agriculture (as the one already referred) that show an indirect connection between the intensive agricultural practice of cotton in some areas but there are not sufficient studies that are up-to-date and after the implementation of the new environmental directives introduced by the EU the previous years.

- Give extra attention to the monitoring part of CAP which is still insufficient and can be easily manipulated by MSs. For example, as seen in the research regarding water quality in Thessaly where more than 50% of Greece’s cotton is produced, there is evidence of breach of the Water framework Directive but it is not addressed in any way.
- In addition, each MS, in compliance with CAP regulations, has to establish a Farming Advisory System (FAS) that will provide information and education to farmers regarding the cross compliance mechanism but according to a study, only 5% of European farmers are using this service, which again could be seen as an inadequate practical structure of CAP regarding the actual practices of farmers. This needs to be re-structured.
- The cross compliance mechanism that was introduced is still lacking the support it needs. Monitoring is still weak and cases of environmental schemes that are actually monitored (even though governments spend a lot of money on it) are actually rare. Monitoring needs to be improved.
- Further, the Fairtrade Foundation recommends that cotton subsidies are fully decoupled from production to ensure a competitive and market oriented CAP.

16 November 2011

16 http://www.birdlife.org/eu/pdfs/Agrienvironment_schemes_lesson_learnt.pdf
## APPENDIX ONE

<table>
<thead>
<tr>
<th>Country</th>
<th>Area under production (000 Ha)</th>
<th>Yield (Kg/Ha)</th>
<th>Production (000 Metric Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top 7 producers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1,150</td>
<td>1,193</td>
<td>1,372</td>
</tr>
<tr>
<td>China</td>
<td>5,690</td>
<td>1,110</td>
<td>6,314</td>
</tr>
<tr>
<td>India</td>
<td>9,000</td>
<td>397</td>
<td>3,571</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3,200</td>
<td>782</td>
<td>2,504</td>
</tr>
<tr>
<td>Turkey</td>
<td>715</td>
<td>1,294</td>
<td>925</td>
</tr>
<tr>
<td>USA</td>
<td>5,284</td>
<td>948</td>
<td>5,009</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>1,415</td>
<td>777</td>
<td>1,100</td>
</tr>
<tr>
<td><strong>Selected developing countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>North/South America</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>390</td>
<td>419</td>
<td>163</td>
</tr>
<tr>
<td>Mexico</td>
<td>105</td>
<td>1,296</td>
<td>136</td>
</tr>
<tr>
<td>Paraguay</td>
<td>250</td>
<td>361</td>
<td>90</td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td>220</td>
<td>495</td>
<td>109</td>
</tr>
<tr>
<td>Chad</td>
<td>425</td>
<td>192</td>
<td>82</td>
</tr>
<tr>
<td>Egypt</td>
<td>307</td>
<td>904</td>
<td>278</td>
</tr>
<tr>
<td>Mali</td>
<td>540</td>
<td>444</td>
<td>239</td>
</tr>
<tr>
<td>Sudan</td>
<td>210</td>
<td>544</td>
<td>114</td>
</tr>
<tr>
<td>Uganda</td>
<td>400</td>
<td>109</td>
<td>44</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>330</td>
<td>307</td>
<td>101</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burma</td>
<td>300</td>
<td>196</td>
<td>59</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>40</td>
<td>1,197</td>
<td>48</td>
</tr>
<tr>
<td>Syria</td>
<td>215</td>
<td>1,519</td>
<td>327</td>
</tr>
<tr>
<td><strong>Developed countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>14</td>
<td>1,851</td>
<td>26</td>
</tr>
<tr>
<td>Australia</td>
<td>325</td>
<td>1,742</td>
<td>566</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>375</td>
<td>1,045</td>
<td>392</td>
</tr>
<tr>
<td>Spain</td>
<td>90</td>
<td>1,210</td>
<td>109</td>
</tr>
<tr>
<td>Other European</td>
<td>17</td>
<td>410</td>
<td>7</td>
</tr>
<tr>
<td><strong>World Total</strong></td>
<td>35,912</td>
<td>714</td>
<td>25,629</td>
</tr>
</tbody>
</table>

Table 10-1: Comparison of area under production, yield and total production for selected cotton producing countries for the 2004/05 season. Source: USDA, 2004.
The Wildlife Trusts and the Agricultural Landscape: Introduction

There are 47 Wildlife Trusts across the whole of the UK, the Isle of Man and Alderney. We are working for an environment rich in wildlife for everyone. With more than 800,000 members, we are the largest UK voluntary organisation dedicated to conserving the full range of the UK’s habitats and species whether they be in the countryside, in cities or at sea. More than 150,000 of our members belong to our junior branch, Wildlife Watch. **We manage 2,300 nature reserves covering more than 90,000 hectares.** The Wildlife Trusts have a collective vision to create *A Living Landscape* and secure *Living Seas* for the whole UK.

*A Living Landscape* is a recovery plan for nature championed by The Wildlife Trusts since 2006 to help create a resilient and healthy environment rich in wildlife and to provide ecological security for people. In *A Living Landscape* habitats are restored and reconnected on a large scale with the local community closely engaged. The vision is a primary objective of The Wildlife Trusts and builds on a groundswell of landscape-scale activity at a county level. Across the UK we now have over 100 Living Landscape schemes covering an area of nearly 1.7 million hectares. The schemes are being delivered in partnership with a huge number of individuals and organisations including farmers and landowners, water companies, land-based industries, local authorities, other NGOs, statutory agencies, local communities and volunteers.

**Every year we advise more than 5,000 landowners and provide more than 2,600 days of land management advice to businesses.** We offer support and advice to farmers on both Entry Level and Higher Level Stewardship Schemes, both assisting new applicants to navigate the processes involved and providing continued support to existing agreement holders. As a direct result of this advice, we help to bring millions of pounds to the rural economy every year. We also provide in-depth advice and management plans on habitats from hay meadows to upland wetlands, share expert knowledge for the management of specialist species, deliver workshops to encourage the discussion of ideas, and assist with land management using volunteers. We conduct thousands of advisory visits every year, covering topics such as resource protection, livestock management and agri-environment schemes.

We work with landowners responsible for Local Wildlife Sites (LWS), delivering whole farm advice as well as survey and grant application assistance. There are around 40,000 LWS’s in the UK covering more than 700,000 hectares of land, and two thirds of these important sites are in private ownership. They not only provide refuges for a range of wildlife, but also act as stepping stones to link nationally important areas. Lack of management is the main cause of loss and damage to these critical sites.

**Farmers and landowners play a leading role in achieving *A Living Landscape* by managing their land to protect and enhance wildlife.**
Executive Summary

CAP reform is of critical concern to The Wildlife Trusts in our role as land managers, as land management advisors and as active and long standing members of the rural community. It has the potential to significantly facilitate or significantly constrain our ambition to create A Living Landscape across the UK. It will influence delivery of the ambitions for ecological restoration set out in the Lawton Report (Making Space for Nature)\(^1\) and reiterated in the Natural Environment White Paper\(^2\).

Our written submission to the Committee primarily addresses the environmental benefits of the proposed green direct payments. We think it important that the Committee considers the principles of greening the CAP and views the reform proposals against the background of the current CAP. Hence we have summarised our views on why greening is needed and made reference to some of the lessons learnt from the current payment systems.

We have provided our initial assessment of the environmental benefits of the proposed greening measures and have made some recommendations for improvement. We have provided initial comments on coherence with agri-environment schemes and the consistency of the greening proposals with the CAP simplification agenda. Given the tight timescales for this submission however, we have been unable to develop our response in as much detail as we would have liked. We therefore very much welcome the opportunity that we will have to develop our responses and suggestions for improved measures in the oral evidence session.

We have also submitted evidence on the definition of ‘active farmer’ as outlined in the current proposals. This has major implications for The Wildlife Trusts and the future of the land that we manage.

In summary, The Wildlife Trusts welcome the principle of a ‘greener’ CAP and welcome the move towards making direct payments to farmers and land managers contingent on delivery of a range of public goods and services relating to climate and the environment. Our view is that no payment should support unsustainable practice that undermines ecosystem function or biodiversity (which underpins ecosystem services). We think that at least 30% of direct payments should be conditional on specific ‘green’ measures that help to address market failure. We have concerns about some of the specific greening measures proposed, but believe we need to grasp the opportunity to improve these; suggesting changes rather than rejecting the measures and the principle of greening direct payments outright.

Making the greening measures of Pillar I coherent and compatible with agri-environment schemes is a major challenge. To achieve this we think that Member States must be given flexibility in the way in which greening measures are implemented.

Over the coming months we want to work with Defra, UK Government, environment NGOs and farming and landowner organisations to ensure that the CAP of the future supports an agricultural landscape that delivers sustainable farming and multiple benefits.

1. Environmental Benefits of the Green Direct Payments

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\(^2\) HM Government (2011), *The Natural Choice: securing the value of nature*
1.1 Key Principles

- Farmers and land managers need to be provided with incentives for managing their land and businesses to deliver the full range of public goods and services associated with the agricultural landscape, including biodiversity, climate regulation and cultural and social benefits for rural communities. The opportunities for delivering multibenefits within this landscape are significant. For example, creating new wetlands in the farmed landscape can reduce diffuse pollution in rivers and streams, thereby protecting drinking water supplies, and can also provide biodiversity benefits and enhance the cultural value of the landscape. Hedgerows provide shelter for livestock, protect soils from wind impacts, provide ‘wild food’, provide shelter and nesting habitats for birds, small mammals and invertebrates and act as highways that link bat roosting sites to their feeding areas.

- The market place rewards farmers and land managers for some goods and services and there may be the potential for further goods and services to be brought into the market place in the future. For example water consumers and water companies subsidising landowners who work to protect drinking water supplies. However development of effective mechanisms for using markets to pay for some goods and services, such as biodiversity, is fraught with difficulties.

- The Wildlife Trusts therefore believe that a payment to farmers and landowners for delivering specific goods and services is an appropriate use of public money. We support the recommendation made in the UK National Ecosystem Assessment that agriculture needs to ‘better provide ecosystem services other than production’\(^3\). An effective mechanism for implementing such payments would prevent money from the public purse being used to support farming practices that damage the environment, such as pollution of watercourses, destruction of semi natural grasslands and draining of valuable wetland habitats. Payments to farmers and land managers need to be conditional on delivery of public goods and services such as clean water, biodiversity, carbon storage and sustainably produced food from farming systems that do not damage the environment and do not compromise the future of sustainable farming.

- The CAP reform process is an opportunity to more effectively link the income that comes to farmers and land managers to measures that will protect and restore the health of ecosystems to benefit all, including farmers and farming systems.

- The Wildlife Trusts believe that radical reform of CAP is needed to establish a more effective system that prevents agricultural practices from damaging the environment, and uses incentives and rewards to help landowners implement appropriate measures to protect and restore the environment. A paradigm shift to a more sustainable and environmental subsidy regime is long overdue.

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\(^3\) UK National Ecosystem Assessment (2011), *The UK National Ecosystem Assessment p199*
1.2 Learning the Lessons of Current Practice

- We recognise the benefits that good quality 'higher-level' agri-environment schemes delivered under Pillar II have provided in recent years. For example, in the Gowy and Mersey Washlands in England, Cheshire Wildlife Trust is working in partnership with local landowners, businesses and communities to restore, recreate and reconnect a network of wetland habitats providing ecosystem services in conjunction with high quality nature conservation resources of benefit to local people, the environment and economy. With assistance from a wide range of agencies and businesses the Trust is undertaking landscape scale wetland creation by working with landowners farming on the rivers’ floodplains. Higher Level Stewardship is an essential component of this scheme. In the Loddon catchment in Hampshire, the Trust has engaged 32 farmers in a project to manage land and undertake river restoration work in order to reverse the damage caused by diffuse pollution from agriculture. Once again, agri-environment schemes and the guidance and support provided to the farmers by the Trust are a real incentive to farmer engagement. It is essential that budgets for effective agri-environment schemes are protected and enhanced, and that where needed, improvements to current schemes are made. For example, there is a need to consider the most effective ways of developing a co-operative approach across several landholdings.

- We recognise that the current Single Payment Scheme (SPS) can help wildlife rich farms to survive and enable them to continue to conserve the natural environment and the goods and services it provides. For example, a report into High Nature Value Farms (HNVF) in the South Devon AONB\(^4\) reported that farm business profitability for many HNVF in the area is relatively low and dependent on SPS income. Important additional benefits are delivered by these farms with the support of agri-environment schemes.

- We also recognise the significant contribution that voluntary action to improve the farmed environment is making and the personal commitments that many farmers make to the natural environment. For example, we understand that two of the twenty short-listed applications for Natural England’s Nature Improvement Area ‘competition’\(^5\) are farmer-led. Hampshire and Isle of Wight Wildlife Trust is working in partnership with farmers and the Game and Wildlife Conservation Trust on one of these projects: Hampshire Farmers Linking Landscapes.

- We are concerned that reliance on actions and schemes which are temporary, voluntary and where opting in or out is to a degree dependent on market prices and/or a personal commitment to nature conservation or the environment, introduces a high degree of risk and uncertainty over the longer term. The South Devon AONB study concluded that: ‘agri-environment schemes are, in some cases, enabling HNVF management only on an artificial, temporary basis which may not be sustainable after the end of an agreement’\(^6\). We believe that longer term appropriate support for such High Nature Value farming systems is essential.

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• Without the sustained and focused effort of NGOs such as The Wildlife Trusts and RSPB, who assist farmers in putting together measures and ‘packages’ that maximise the value of subsidies for the environment, the current system would work far less effectively. Reliance on the effort of NGOs, which also depends on funding availability, introduces yet another element of uncertainty and risk that may or may not ensure cost effective delivery of public goods and services into the future.

• Whilst we have seen local scale recovery of species such as farmland birds and mammals when appropriate measures are put in place, scaling up of these achievements to create networks of well-connected habitats and sustainable populations of declining species across the landscape is unlikely to be achieved in the absence of a more strategic and consistent approach. CAP payments should be used to help deliver a targeted and strategic approach; bringing about delivery of specific measures that will significantly extend restoration of the natural environment.

• There is clear evidence that some receiving significant amounts of Single Farm Payment are actually causing damage to the natural environment, whilst other farmers are protecting and enhancing the environment, but currently receive little reward for doing so. This inequitable system is damaging for rural communities and the environment.

• We also believe that the added value that SPS brings to land and the leverage this provides could lead to greater intensification of farming systems.

• It is hard to comprehend that taxpayers money can continue to be used to support farming practices that are damaging to the natural environment and that in the long term may compromise the future of sustainable farming. This situation must be addressed through CAP reform.

• Within the current two-pillar structure of CAP we believe we need a combination of high quality optional agri-environment schemes under Pillar II underpinned by mandatory environmental measures under Pillar I, that together provide a clear roadmap for restoration of the natural environment and sustainable farming and food production.

• However one of the major challenges is to find an effective system of direct payments linked to greening measures that can be applied across the whole of the EU. We believe that further consideration needs to be given to how to build flexibility into mandatory Pillar I greening measures for Member States.
1.3 Assessing the Environmental Benefits of the New Proposals

- Our initial response to the complex CAP reform proposals is one of disappointment and concern.

- The current proposals are unambitious and we also have major concerns about some of the unintended consequences of some of the measures proposed.

- We think that at least at least 30% of direct payments should be contingent on delivery of specific ‘green’ measures.

- No payment should support unsustainable practice that undermines ecosystem function or biodiversity (which underpins ecosystem services). We do not believe that the current cross compliance system is fit for purpose and think it unable to provide robust protection against damaging activities.

- We believe that the specific greening measures outlined in the proposals for Pillar I do, at least in principle, take reforms in the right direction.

- We feel it is important, at this stage, not to reject the proposals outright because they are not perfect. We believe that a nuanced response that puts forward suggestions for improvement is required at this stage.

- These are complex issues and we would like environmental NGOs to work with farming organisations and Defra to improve the current proposals and ensure that the proposals do not inadvertently cause damage to the natural environment.

1.3.1 Crop Diversification

- This measure requires that where the arable land of the farmer covers more than 3 ha and is not entirely used for grass production (sown or natural), entirely left fallow or entirely cultivated with crops under water for a significant part of the year, cultivation on the arable land shall consist of at least three different crops. None of those three crops shall cover less than 5% of the arable land and the main one shall not exceed 70% of the arable land.

- This is a step in the right direction, and increased crop diversity would bring biodiversity benefits, for example providing the potential for farms to provide pollen for insects through most of the year, but we are concerned about a number of unintended consequences.

- Firstly the implication for small mixed farms of the low threshold set for this measure. For example low intensity arable cropping can be an important habitat in High Nature Value Farms in the UK. The crop diversification measure could undermine specific measures for key species that are supported by agri-environment schemes and it may make some who farm small mixed farms give up on arable altogether - which could be seriously damaging for declining bird species and rare plants.
In addition, rather than reducing the area of main crop, farmers may be tempted to bring other land into production as an additional crop, for example to comprise 5% of their arable land. This could lead to areas of valuable semi natural habitat being lost.

1.3.2 Permanent Grassland

- This greening measure requires farmers to maintain as permanent grassland the areas of their holdings declared as such in claim year 2014. Farmers will be allowed to convert a maximum of 5% of their reference areas under permanent grassland.

- We appreciate the intention behind this measure, but in practice it is far from fit for purpose and it has the potential to lead to the destruction of valuable semi-natural grasslands.

- A serious issue has arisen in relation to the proposed baseline figure (2014). This must be amended so that the baseline is historic. We have already heard of cases where farmers intend to plough up temporary grassland after four years rather than six or more and we have evidence of grassland on coastal grazing marshes in Lincolnshire being lost in the last few months—potentially these losses could be linked to early action being taken to avoid this measure. Unfortunately the Environmental Impact Assessment Regulations are not effective, but their very existence constrains any other actions to prevent such destruction. We would urge Defra and statutory nature conservation organisations to urgently consider what action can be taken to prevent ploughing of valuable grasslands.

- There is no requirement within this measure to bring areas into better management or to protect semi natural grasslands.

- This measure must be enhanced to specifically protect grasslands that are important for wildlife and it must be revised to avoid inadvertently preventing damage to valuable grassland habitats.

1.3.3 Ecological Focus Areas

- This measure requires that farmers shall ensure that at least 7% of their eligible ha, excluding areas under permanent grassland, is an ecological focus area such as land left fallow, terraces, landscape features, buffer strips and afforested areas.

- We welcome the concept of Ecological Focus Areas (EFA) and believe that if done well the ‘sparing’ of 7% of a land holding for ecological benefit could be effective. However, this measure must be applied to permanent pasture areas as well as arable farms. The latter could address some of our concerns in 1.3.2.

- The success of the measure would rely on the location of the EFA and the management of the land. If management requirements to deliver specific benefits were introduced to EFAs and if the measure were extended to permanent grassland areas, this could protect and increase habitats such as wildlife-rich grasslands.
• There is huge potential for using this kind of 'land sparing' to protect, expand and link areas of value for nature to create ecological networks and restore healthy and fully functioning ecosystems. There is no mechanism within the proposed reforms for achieving this and the risk is that we end up with a scattering of disconnected fragments of land for nature, scattered across the landscape. We would like to see a strategic approach to EFAs across the landscape.

• We would like to see consideration of a greater range of options for creating EFAs, which would also link to current agri-environment schemes.

2. Coherence with Agri-environment Schemes

• Coherence of Pillar I greening measures with agri-environment schemes is essential. Though this has not been made explicit we believe that the land in agri-environment schemes will able to be included in EFAs. Further clarity is required but if a farmer has say 6.5% of land in agri-environment schemes, we believe it is unreasonable to require a further 7% of land to be taken out of production.

• If a farmer already in agri-environment schemes was required to take 7% of ‘new’ land out of production this could lead to cultivation of land that is already being managed in an environmentally friendly way.

• We do not believe that the allocation of 25% of the rural development budget for land management and the fight against climate change is anything like enough to deliver both environmental and climate objectives, or to deliver a key priority of the Rural Development Regulation: ‘Restoring, preserving and enhancing ecosystems’. In this respect a scenario where effective greening measures attached to the direct payments of Pillar I, supplemented by rural development measures that enable ‘deeper’ greening (i.e. agri-environment schemes delivering significant benefits), could kick start the kind of more extensive restoration of the natural environment on which the long term future of farming and wildlife depends. But the uncertainties attached to the relationship between the greening measures and agri-environment schemes, to the future of agri-environment schemes and their final funding levels; as well as the apparent flaws of the proposed greening measures, introduce a huge element of doubt as to just how effective the combined measures of the two Pillars are going to be.

• We are concerned that, as discussions proceed on the compatibility of greening measures and agri-environment schemes, plans to exercise the facility to move money from Pillar II to Pillar I (reverse modulation) could be developed by Member States and could lead to a reduction of budgets for Rural Development.
3. Consistency of Greening Proposals with CAP Simplification Agenda

- We find it difficult to comment fully on this matter at this stage as we understand that the detail of the greening proposals will be set out in the implementation regulations. However, the fact that unintended consequences could arise from the measures and the current uncertainties that surround some of the measures, suggests there is much work to be done to enhance the clarity and refine the practicalities of the greening measures.

4. The ‘Active Farmer’ Definition

- The ruling states that no direct payments will be granted to natural or legal persons, or to groups of natural or legal persons, where one of the following applies:
  - the annual amount of direct payments is less than 5% of the total receipts they obtained from non-agricultural activities in the most recent fiscal year; or
  - their agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and they do not carry out on those areas the minimum activity established by Member States in accordance with Article 4(1)(c)

- When considering the impact of this rule it is important to remember that CAP payments are not directly linked to food production and that there is increasing recognition that taxpayers’ money distributed via the CAP should be used to deliver land management that protects and enhances a range of goods and services in a cost effective way.

- Taken together, The Wildlife Trusts manage 2,300 nature reserves covering more than 90,000 hectares of land. We manage this land in ways that provide a range of public goods and services relating for example to biodiversity, recreation, social and cultural values, water quality, food production and carbon storage. The land that we own and manage is a key part of the agricultural landscape and our land is often well integrated with neighbouring farms and landholdings in Living Landscape Schemes. We use livestock to manage our land and ‘conservation grazing’ with rare breeds is an important management tool for many Trusts.

- Some of our nature reserves are working farms. For example Radnorshire Wildlife Trust own and manage Gilfach, a 410 acre hill farm nature reserve north of Rhayader. The farm is a mosaic of habitats including traditional hay meadows, rhos pasture, wet flushes, hill-side scrub and oak woodland. It supports a nature discovery centre visitor centre and Radnorshire Wildlife Trust organises public events at Gilfach every year. This traditional Radnorshire hill farm has remained unimproved since the 1960’s. The Trust purchased the farm in 1988 and with support from volunteers, renovated the longhouse and barn; restored ancient field boundaries and developed a management plan that put wildlife at its heart. The farm is registered as an organic holding and has been entered in the Tir Gofal agri-environment scheme and the Better Woodlands for Wales scheme. A local farmer works in partnership with the Trust to manage the land for conservation, grazing it using traditional breeds like Welsh black cows and local Welsh mountain-cross sheep. The reserve is an SSSI and falls within a Special Protection Area (SPA) for birds. It is a particularly important site for ancient grassland species, waxcap fungi and lichen species.
• Each Wildlife Trust operates as a separate organisation and registered charity, but our preliminary investigations suggest that the active farmer definition will significantly impact on the way in which The Wildlife Trusts are able to manage land in the future. We expect that the majority of individual Trusts will not meet the criteria for ‘active farmer’. One Trust has commented: ‘This would have a severe, if not catastrophic, impact on the management of our land’.

• We are not clear whether the intention would be to restrict access to agri-environment schemes to ‘active farmers’ only. If that was the case the implications for our land management would be even worse.

• We believe that this rule will be totally unworkable. For organisations like The Wildlife Trusts, income naturally fluctuates year by year. For example a Trust could qualify as an active farmer one year and then in the next year receive a significant legacy that would boost receipts, meaning they would not then qualify.

• We believe that many farmers and land managers who are delivering valuable and multi benefits, whilst at the same time diversifying to increase farm incomes, will fall foul of this rule. It is absolutely paramount that this ill thought out rule does not get taken forward in the final regulations.

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The Grasslands Trust\footnote{Registered Charity no. 1097893.} is the only charity in the UK whose sole purpose is to conserve grasslands of importance for their wildlife, landscape, cultural and community values. We are a registered UK Charity, formed in 2002 in response to the increasing awareness that wildlife- and heritage-rich grasslands are now the UK’s most rapidly declining and threatened habitats. We work with local communities to cherish their local grasslands; provide expert advice to grassland owners, statutory and voluntary sector organisations, on the value of grasslands and how best to manage them to benefit wildlife and heritage; purchase threatened grassland sites and support other organisation to purchase them; campaign to improve the policy environment for threatened grasslands; and raise the awareness of the public and decision-makers to the plight of grasslands in and beyond the UK. We work in partnership with a wide range of organisations to deliver our aims, from within the statutory, voluntary and local government sectors, to local communities and individual landowners.

We focus our comments on one particular aspect of the proposals: the Permanent Pasture element of the Greening proposals.

**Greening: The Permanent Pasture proposals**

1. The Commission, in their proposals for CAP reform, propose changing the permanent pasture rules, such that they will apply at the farm level\footnote{Article 31(1) of the Commission Proposals.}. At present the rules only apply at Member State (or Regional) level. These rules will prevent conversion of land registered as permanent pasture in the reference year, which has been proposed to be set as 2014.

2. The Commission also propose changing the definition of permanent pasture, such that it also includes “other species suitable for grazing provided that the grasses and other herbaceous forage remain predominant”\footnote{Article 4(1) h of the Commission Proposals.}. The Commission has not recommended changing the definition such that sown grasslands (ie intensively managed agricultural grasslands) are excluded.

3. We are concerned about the implications of these changes: far from providing any environmental benefit, there is a risk they will lead to environmental damage.

4. Landowners who wish to retain the flexibility to convert land from permanent pasture to other land-uses may well feel they have to plough up permanent pasture and sow an arable crop before the reference year of 2014.

5. Grasslands currently in “classic” Agri-environment Schemes such as Countryside Stewardship Scheme and Environmentally Sensitive Areas are especially vulnerable, where agreements end in the next 3 years, but where that land is not eligible (or through lack of funding) to enter the Higher Level Scheme of Environmental Stewardship. These grasslands have received large sums of Government funding and the risk is that this
investment will be lost, as these grasslands which have been managed extensively for sometimes over 20 years, will be returned to intensive agricultural production.

6. Around 5 Million Hectares of England’s agricultural area is grassland⁴ - this is half of England’s agricultural land. Most of the 3.66 Million hectares of grassland classified as permanent pasture in England⁵ is “improved” grassland, that is agriculturally productive, intensively managed and poor for wildlife and ecosystem services.

7. According to Countryside Survey figures, 1.45 Million hectares is “semi-improved”⁶, which means that although the value of that grassland for wildlife and ecosystem services has been reduced as a result of agricultural activities, it still retains some value, compared with “improved” grasslands.

8. Around 100,000ha (2% of the total resource) of that grassland resource is “unimproved semi-natural”⁷, and this is the best surviving grassland, identified as Habitat of Principal Importance in Section 41 of the Natural Environment and Rural Communities Act 2006.

9. The risk is that cultivation driven by this proposed change will affect the resource “semi-improved” and unimproved grassland. Unimproved grassland is partially protected by designation as Site of Special Scientific Interest (SSSI), but Natural England figures show that only just over two-thirds of the unimproved resource falls within SSSI⁸. The remaining third (and for some key grassland types under half the resource is protected in SSSIs) is unprotected from agricultural intensification.

10. The only mechanism available to protect unimproved grasslands from cultivation is the EIA (Agriculture) Regulations and these are almost completely ineffective, to the point where we complained⁹ to the European Commission and they are now investigating whether the Government is in breach of the EIA Directive on this issue. We have submitted evidence on this issue to this Committee previously¹⁰, to the McDonald Taskforce on Farming Regulation, and more recently to a Natural England Consultation on the EIA (Agriculture) Regulations¹¹ highlighting the various weaknesses in the Regulations and their implementation.

11. While semi-improved grasslands do not have the same wildlife value as the very small surviving resource of unimproved grasslands, they can still support important populations of wildlife and archaeology, they provide critical ecosystem services (water

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⁵ Data provided by RPA to The Grasslands Trust February 2011
⁹ Various correspondence including Defra response to TGT dated 27/10/10 as part of the EU PILOT mechanism.
¹⁰ Evidence submitted on 10/06/11 to EFRA Select Committee Inquiry on the Farming Regulation Taskforce’s Report “Striking a Balance”.
¹¹ Evidence submitted to Natural England 13/10/11.
quality, carbon storage) and are integral to important landscapes such as National Parks and Areas of Outstanding Natural Beauty.

An Alternative Approach

12. We believe that the Permanent Pasture rules in place since 2003 have done nothing to protect grasslands valuable for reasons other than intensive agricultural production. We have proposed to the Commission an alternative approach which we believe would help those farmers who have these valuable grasslands to maintain them. We have proposed to the Commission an alternative approach of a Permanent Pasture Premium – an annual which would be available to any farmer with grassland, subject to a set of conditions (equivalent to some agri-environment schemes) including no cultivation or re-seeding and limited fertiliser use. We believe this would work well as an “opt-in” scheme which would be attractive to farmers who are already managing their grasslands extensively, while it would be of no interest to farmers who wish to continue to manage their grasslands intensively, so this self-selection process would target the resource where it is needed. One of the reasons for adopting this approach is that we still do not know where the grasslands valuable “for reasons other than intensive agricultural production” occur.

Inventory

13. England does not have a proper inventory of valuable grasslands. Unlike ancient woodland, which is relatively easy to identify from maps, grasslands are not so easy to identify remotely. For this reason, and also because grasslands have historically been neglected by conservation organisations, the picture of where grasslands occur is patchy and incomplete. The McDonald Taskforce recognised this fact and recommended to Defra that this issue be addressed. We and the RSPB are proposing to Defra that such an inventory is urgently required, so that landowners are aware of the valuable grasslands that occur on their land. This will enable mechanisms such as EIA (Agriculture) and Agri-Environment Schemes to be more effectively applied or targeted.

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Introduction

1. In October 2011 the European Commission forwarded proposals for reform of the Common Agricultural Policy (hereafter CAP) to the European Council and Parliament, initiating discussions that will last up to mid 2013, when proposals are likely to be finalised during the Irish Presidency.

2. The relevant proposals are to (a) end existing direct payments, replacing them with a uniform but more differentiated system, encompassing a basic income support payment, topped up by further payments to encourage practices that are environmentally sustainable (as well as some other measures, such as payments to small farms and new farmers) (Pillar 1) and (b) reform the Rural Development Policy (Pillar 2), under which Agri-Environment Schemes (AES) sit.

3. The reform of Pillar 1 (vis-a-vis AES in Pillar 2) imagines a range of greening measures, including maintaining 7% of land in areas focussed on ecology ("Ecological Focus Areas", EFAs), encouraging rotations, permanent pasture and organic farming.

4. The current academic consensus is that the pressures of increasing demand for food, coupled with climate change, competition for land and the need to mitigate climate change by reducing carbon costs requires that production needs to be maintained or increased [1-3]. However, for long term maintenance of farm production, environmental sustainability is required. This includes valuing ecosystem services for the roles they can play both in terms of direct values to production (e.g. via soil fertility, pollination, natural pest control) but also the more diffuse environmental services such as biodiversity’s cultural value or the contribution to climate change mitigation of carbon sequestered in the soil.

5. Furthermore, the EU is a key player in global food security and what happens to production within Europe has impacts outside [4, 5]. For example, reducing production within Europe does not reduce Europe’s demand for food, so any reduction needs to be met with increased production elsewhere in the world. This implies the scope for decreasing local environmental impacts, but exporting environmental costs to other parts of the world (typically Latin America, Sub Saharan Africa or SE Asia), where environmental regulation may be lower, inherent biodiversity is higher and environmental fragility greater, leading to amplification of costs.

6. As a result, recent thinking calls for "sustainable intensification" of production systems globally, not disregarding Europe [1]. A recent interdisciplinary meeting of leading European academics called for both

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1 My conclusions have benefitted from recent discussions with: Prof Herve Guyomard, INRA; Dr Paul Speight, DG Envi, Dr Martin Scheele, DG Agri; Robert Salmon, NE Salmon, Ltd, farm management; John Ebbage, NE local area advisor, Norfolk; Peter Riley, Prime Agriculture, Nigel Bertram, farmer and Prof Les Firbank, University of Leeds. Disclaimer: These comments represent Benton’s judgement as a researcher in this area; they should not be taken to represent the views of the Global Food Security programme or any of its partners.
sustainability and production to be at the heart of European thinking due to Europe’s position as a global player in the food system [6] (reproduced as Annex 1).

7. The definition of “sustainable agriculture” is one of considerable debate at the moment, due to the increased recognition of the possibility for “non local” effects. For example, a production system that decreases yield, whilst having a local benefit, may be more or less sustainable depending on the way the reduction (i.e. shortfall) in yield is made up necessary to compensate for no change in demand. Similarly, “local production” may be more sustainable or not according to its impact on overall transport and energy costs (e.g. locally grown greenhouse tomatoes may have a higher carbon footprint than ones grown where sunlight is more available). Likewise, local dairy production may have low environmental impact, but if it relies on feed from the tropics it may contribute to environmental degradation by driving deforestation for soy or palm oil (Raphael Didham, UWA Perth, unpublished case study on New Zealand dairy industry). If “sustainable” is hard to define in operational terms, so also is sustainable intensification. The “producing more with less” is shorthand for producing more food with fewer inputs, with the implication that “fewer inputs equals lower environmental impact”.

8. Recent work suggests that taking into account any reduction in yield to make an area more sustainable, without reducing demand, alters the view of whether practices may be more or less sustainable because of the need for extra land somewhere else to increase production. For example, [7] showed that if organic yields decrease below 80-90% of intensive yields, a typical UK landscape can produce more of both biodiversity and yield by specialising land within the landscape to production land and biodiversity land, rather than by farming the whole area organically. This debate has been termed the "land sparing vs land sharing" debate: as land sparing (farming intensively and thereby sparing some land for nature) is contrasted with land sharing (farming and managing wildlife on the same land) [8, 9] —though, of course, the strategies are at either end of a spectrum. In short, if farming practices reduce yield but decrease local negative impacts on the environment it is not clear whether they are more sustainable; only if yield stays the same or increases AND environmental impacts decrease is sustainability necessarily improved.

9. That land sparing has recently seen to be a good option [7, 8] does not imply that a landscape needs to have large blocks of land created as nature reserves with farming geographically separate. Much of the natural biodiversity of EU agricultural landscapes has co-evolved with agriculture and lives within and on the margins of it (over 70% of agricultural biodiversity is found outside field centres). Because the scale for which population management is required is greater than the field- or farm-scale, a well-connected landscape made of a network of margins, hedges, green lanes, copses etc, with specialist nature reserves to provide habitat for non-agricultural specialists may be highly beneficial for biodiversity [5, 10]. Furthermore, there are positive ecological benefits from integrating management at larger scales (i.e. an isolated organic farm may have ~12% higher biodiversity, but a landscape with many organic farms may have ~20% more [11]. Thus, ensuring landscape-level conservation measures has been a focus of some recent publications [5, 6, 11-16].
10. The consensus "landscape view" view of recent ecological research is also that the landscape context is key to the way that biodiversity responds to management [11, 17-23]. What is the best strategy for one landscape, with its geographical setting and the mix of farm enterprises, may not be the best strategy for another area. The optimal management strategy will vary with landscape context, leading for a necessity for local tailoring of specificities of schemes to make maximum gains.

Will the proposed direct payments for greening be beneficial?

11. The proposals aim to (a) generate a compulsory amount of non-cropped EFAs of 7% of the total farmed area, across the landscape, (b) encourage heterogeneity by stimulating production of multiple crops (including permanent pasture). The former has the potential to generate landscape-level networks of ecological connectivity, and so has a great potential benefit. The latter has a potential to stimulate greater within-field biodiversity by encouraging landscape-scale heterogeneity by producing a range of within-field habitats at the same time. Both of these interventions have been suggested many times over the last decade as positive interventions e.g. [16].

12. Ecology typically requires a larger scale for population viability than single fields or margins, and ensuring landscape level effects has been a consistent call on agri-environment schemes [11]. The UK Curry report in 2002 called for "broad and shallow" interventions, and ensuring that all farms manage EFAs is consistent with this approach. Similarly, the requirement for crop diversity ensures both spatial heterogeneity (i.e. habitat varies across space) and also temporal heterogeneity (i.e. the whole landscape is not harvested at the same time), both will enhance biodiversity [16].

13. In support of this, a recent report by PBL (The Netherlands Environmental Assessment Agency) suggests that the greening measures will be beneficial for species richness, to the order of a few percent [24]

14. Climate change is signalled as an important issue for the CAP for the first time in these proposals, which is to be welcomed. Some measures should assist towards reducing greenhouse gas emissions. Examples are the new cross compliance (Good Agricultural and Environmental Condition) standards on maintaining soil organic matter and protecting wetlands and carbon rich soils and the earmarking of funds in Pillar 2.

15. Thus, depending on the details (see Para 25 below), the greening of Pillar 1 should have positive benefits for sustainability and the proposals are a welcome action to promote environmentally friendly land management at the landscape scale.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry;

16. This PBL report also states: "There would be a clear trade-off between biodiversity gains and production
losses. According to model calculations, greening the CAP would lead to a decline in agricultural production, for example, of two per cent for grass and four per cent for cereals, by 2020, in the EU27. This is mainly due to the projected extensification of grassland and ecological set-aside on arable land.” Within this report, they assumed an ESA amount of 5% (cf 7% in the proposals).

17. This report interestingly suggests that farm income will remain static as, despite reduction in production, as demand remains the same the supply-demand forces will result in increased farm-gate prices.

18. Contrary to the PBL report, Matthews [25] records that DG Agri impact assessment figures indicate that whilst prices may increase, farm incomes will fall (by on average 2.8%) as prices will not increase enough to cover the direct cost of greening coupled with the reduction in yields.

19. *The investment in Pillar 2 into the new European Innovation Partnership initiative for agricultural productivity and sustainability could be an important factor stimulating the development of innovative solutions that promote increased food production but in a way that is compatible with the delivery of the full range of ecosystem services. Hence, there is a mechanism for enhancing innovation and promoting "more with less" which may mitigate against farm income reduction.*

**Consistency of the greening proposals with the CAP simplification agenda;**

20. A single direct payment to farmers based on area, and with sufficient prescriptions as to how the ESFs be organised (Para 25) could reduce the farmer- and agency-administrative overheads and therefore be a simplification of CAP administration.

**How greening pillar 1 can be made coherent with agri-environment schemes,**

21. The PBL report [24] states: "Greening the first CAP pillar seems an attractive option as it pairs simplicity with CAP legitimisation. However, it holds few possibilities for targeting specific biodiversity in specific areas (e.g. most-threatened red-list species). Agri-environmental measures from the second pillar would offer more possibilities in that respect, although transaction costs would be relatively high — at least under the current bureaucratic regime."

22. Agri-environment schemes have the benefit of specificity, whereas Pillar 1 direct payments are a one-size-fits-all option. Much of biodiversity in agri-environments will benefit from generic measures that may result from Pillar 1 (which may bear similarity to current ELS). Agri-environment schemes can therefore be designed to target specific taxa (cf habitats) of concern, or specific habitats associated with place rather than agriculture. Current AES prescriptions, where they have been researched and have an evidential basis for success, could be used as suggestions for management of the EFAs under Pillar 1.
23. Nonetheless, relative to the money invested, AESs have not be notable in generally increasing biodiversity in farmed habitats partly as they may address the wrong scale and partly as they do not address landscape specificity [21, 26-29]. There have been notable successes where AESs have targeted specific species, where population increases have been produced (e.g. cirl bunting).

24. **Thus, investing in greening of Pillar 1 may ensure a mandatory level of “greening” that may be equivalent or better to ELS. The Pillar 2 budget would therefore not longer be required for “entry level schemes” allowing a greater targeting of existing AES money to higher level schemes and ones preserving specific taxa.**

**Recommendations for improving the greening proposals.**

25. The "ideal" implementation of the Pillar 1 reforms would be to encourage landscape measures that created a "well connected" ecological landscape of the EFAs (with patches of suitable habitat sufficiently close for dispersal/movement from patch to patch), with multiple linear habitat types creating the connectivity (flower rich margins, grassy margins, hedgerows) and with patches of land for non-agricultural specialists (e.g. woods, grasslands, wetlands). Furthermore, the specificities of the "ideal landscape" will vary from location to location, depending on the local habitat, geography and biota. Thus, there are four requirements: (1) amount of habitat, (2) its extent over a large scale, (3) its spatial distribution and the connectivity it brings to a landscape, and, (4) its location-specificity. The current proposals address (1) and (2).

26. Given the production-sustainability needs, it remains unclear whether 7% EFA is the optimum proportion. If the EFAs were properly managed and specified (see Paras 25, 27) it may be possible to have a similar impact with a lower percentage.

27. The devil is within the detail: if the EFA is left as unmanaged set aside, it will have rather less ecological value than if it were managed as grassy margins, flower-rich margins, hedgerows, coppices etc) and therefore the greening proposals will have little benefit. Conversely, if the land is managed well, and to encourage biodiversity, a landscape with a 7% network of "green veins" could be highly beneficial. **Thus, the management prescription is key.** If the direct payments included a results-payment rather than a prescription-payment (thereby allowing land managers to undertake what they are interested in doing) this may have the greatest effects by creating productive partnerships between farmers and agri-environment advisors is agencies or NGOs, although will be the most expensive to administer.

28. **The issue of spatial layout is key.** A connected landscape requires that there is sufficient connection between habitats for a range of organisms to live, and disperse along/between linear features or patches. Thus, ensuring there is a mix of features, patch sizes and habitats is crucial to developing a connected landscape (7% as a single block will not be as good as 7% as a network).

29. Similarly, within the proposal encouraging crop diversity, from a "sustainability" perspective it makes little
sense for "arable land to consist of 3 different crops simultaneously" on each farm (as a very large farm could comply but still maintain areas of homogeneity greater than on small farms). Ecologically, a landscape-level of heterogeneity would be positive rather than a farm scale. Therefore there is a requirement for a specific scale to be identified (e.g. 5x5km landscape).

30. Farm size *per se* is probably irrelevant to ecological sustainability (cf field size, and therefore the amount of margins), the benefits come from sustainable management at the landscape scale. Therefore, ensuring landscape-level compliance through encouraging small-scale farmers to work collectively could be very beneficial. Thus, requiring a landscape-level mixture of EFA and crop types would stimulate cooperation between local land managers (as already exists in the UK with farmers within Catchment Sensitive Farming initiative. The cap on the CAP for large farms may also be counter-productive, as, in my experience some of the most efficient and professional farms deliver many of the best environmental management schemes because (a) they can manage at the landscape scale and (b) they can often invest heavily in good management practices.

31. The proposals suggest that organic farming is in automatic compliance with the requirements of the proposals. Organic farming is undoubtedly good for local environmental management, for many reasons, including that farming rotations create heterogeneity of habitat. However, being organic does not necessarily imply this farming practice is the most sustainable one, because:

   a. Organic yields may be considerably lower than conventional yields. Ref [4] calculates that increasing organic area to 20% will require an extra 10m ha of land outside Europe to meet our food demands, with the environmental costs that this would entail. Hence encouraging organic production may not encourage global sustainability.

   b. As organic yields are lower, organic farmers may utilise a greater area of their fields for production [11] (e.g. by leaving narrower margins). Therefore it is unclear that an organic farm would have higher biodiversity than an environmentally managed conventional farm with 7% EFA.

   c. The benefits of organic farming are often confounded by the fact that organic farms are often situated in more wildlife-friendly landscapes than conventional farms [19], and given that yields are reduced relative to other farming (see Para 8) (see also http://www.influentialpoints.com/Critiques/Does-organic-farming-promote-biodiversity.htm#vs).

Therefore, modern farming methods (e.g. precision agriculture coupled with environmentally sensitive farming, as espoused by, for example, LEAF http://www.leafuk.org/leaf/home.eb) may actually be as beneficial for wildlife without the production costs. Similarly, other farming systems may have a greater environmental benefit than organic, especially when considering different area-specialities across Member States (e.g. in the UK Traditional Orchards may be very beneficial [30]) and "low input, low/no till" systems may have a carbon efficiency of up to 1.5x organic or
conventional systems [31]. Organic management also qualifies under Pillar 2 (Article 43) for extra payment — again without great evidential support relative to a range of alternative farming systems.

32. Landscape context is important (paras 9 and 10 above). What enhances sustainability in one place may therefore reduce it in another. It is important to have a “uniform framework” for greening of Pillar 1 but allow prescriptions of (for example) how best to encourage and manage the EFAs to vary across the EU at a fine scale (within the UK, for example, there should be different strategies for, for example, the West Country vs East Anglia).

33. It would be good to see the importance of mitigating soil degradation much more strongly brought out in the cross compliance regulations.

34. To avoid disenfranchising land managers who have successfully managed existing AESs, it will be important that the Greening proposals incorporate their practices (e.g. within the EFA) without penalty.

Conclusions

35. The Pillar 1 greening proposal utilises three general measures implemented at the European scale for simplicity. As a result, it is very likely that its efficiency - from an environmental point of view (and also from an economic point of view) — will not be optimal mainly because it is not tailored to local conditions and context. However, it will have the advantage of providing both legitimacy for direct payments and an increase in environmental sustainability (especially if cross compliance is strong)

36. Environmental Pillar 2 measures can then be reserved and targeted to address specific environmental needs (and via the Innovation Partnerships to promote new farm systems and practices). As there is rather limited evidence that AESs have had substantial environmental impacts on agricultural production systems, cross-compliance and greening measures can (should) be viewed as a basic requirement of direct funding, with Pillar 2 AES measures as additional incentives.

37. A final remark: an increased focus on research, research-development and innovation is a welcome initiative. Within this research it is important to focus on a range of areas for innovation: crop improvement (and plant genetics), ecological innovation (enhancing provision of services — like natural pest control — that may aid yields), agricultural and agronomic innovation leading to (new) farm systems and practices etc.

References


November 2011
Executive Summary

i. In the face of continuing pressures on the environment, we welcome the recognition of the importance of agriculture’s role in protecting and enhancing the environment and contributing to climate change adaptation and mitigation in the proposals for the CAP for 2014-2020.

ii. Evidence shows that currently the most beneficial measure within the CAP for delivering environmental outcomes is the agri-environment measure. However, the voluntary nature of agri-environment schemes, combined with the limited funding available through Pillar 2 and the reluctance of Member States to increase levels of co-financing, means that there are limits to what can be achieved for the environment through this measure on its own.

iii. Given the budgetary constraints on Pillar 2, the merit of ‘greening’ Pillar 1, is that it does at least provide a means of ensuring that the majority of agricultural land in the EU-27 is subject to some form of positive environmental management.

iv. It is difficult to be clear about precisely what the environmental impact of the proposed Pillar 1 greening measures is likely to be because the detailed rules and requirements of the measures have yet to be developed. There are likely to be considerable differences between Member States, but any assessment of potential impacts is highly speculative.

v. Universally applied measures in principle do have a place in a greening strategy for the CAP, although the limitations of purely annual payments restrict their effectiveness. A more robust strategy would give a larger role to Pillar 2 measures. At the pan European level, however, Pillar 1 measures do have the potential to deliver a range of environmental benefits, especially Ecological Focus Areas (EFA).

vi. It is important not to see the ‘greening’ measures in isolation. Perhaps the greatest potential environmental benefit from these measures is the foundation that they provide on which more focussed agri-environment schemes under Pillar 2 can build.

vii. Particular issues apply in the UK and England and it will be essential to ensure that the introduction of the ‘greening’ measures in Pillar 1 does not reduce the level of environmental benefits delivered through the CAP, and that a net increase in environmental delivery is achieved.

viii. It is also critical that any changes do not impact negatively on farmers who already have signed up to the delivery of environmental benefits by entering agri-environment schemes in order not to risk damaging the goodwill and commitment of farmers to the environment that has been built up over the years.

ix. While acknowledging the importance of food security as a goal, it should be remembered that long term food security relies on the sustainable management of natural resources. It is therefore, unhelpful to overstate the impacts that the ‘greening’ measures, particularly the EFA measure will have on levels of food (and energy) production.

Main Evidence from the Institute of European Environmental Policy

Introduction

1. IEEP welcomes the opportunity to submit evidence to the Environment, Food and Rural Affairs (Efra) Select Committee on ‘Greening the Common Agricultural Policy (CAP)’.

2. IEEP is an independent not-for-profit policy studies institute dedicated to advancing environmental sustainability in Europe. Our aim is to disseminate knowledge about Europe and the environment and to analyse and present policy options. Possessing a history of knowledge and
involvement acquired over thirty years, we undertake research and consultancy on the development, implementation and evaluation of environmental and environment-related policies in Europe, focussing both on pressing short-term policy issues and long-term strategic studies. Our work on agricultural policy has been a core element of the Institute’s work since the 1980s and we are committed to being at the forefront of thinking about the environmental aspects of the CAP and other EU policies.

3. We have undertaken a range of studies both for the European Commission and European Parliament to inform the future direction of the CAP, arguing for a strong environmental rationale to be at its heart, and making the case for the adequate resources to be made available for the environment within the EU Budget. Our focus is EU-wide and it is within this context that our evidence is provided.

Greening the CAP: General Background and Context

4. Despite improvements on some issues, Europe’s environment continues to face significant pressures, including ongoing declines in biodiversity and the challenges of climate change. In the face of these pressures, the EU and its 27 Member States have committed to meet a number of environmental targets, including the EU’s 2020 biodiversity objectives and targets for greenhouse gas emission reductions. Agriculture plays an important role in helping meet these targets as it covers 44 per cent of land area in Europe, however it is clear that a step change is needed in the approach taken to land management if these targets are to be met.

5. The Commission’s legislative proposals for the CAP for 2014-2020 recognise the importance of agriculture’s role in protecting and enhancing the environment and ensuring that farming and rural areas can play their role in contributing to climate change adaptation and mitigation. However, finding the right balance between improving the quality of environmental goods and services alongside creating favourable conditions for producing crops, livestock and energy is a significant challenge.

6. Evidence shows that currently the most beneficial measure within the CAP for delivering environmental outcomes is the agri-environment measure, under Pillar 2, underpinned by cross-compliance and environmental regulation. However, the voluntary nature of agri-environment schemes, combined with the limited funding available through Pillar 2 and the reluctance of Member States to increase levels of co-financing, means that there are limits to what can be achieved for the environment through this measure on its own.

7. Set within this context, the merit of ‘greening’ Pillar 1, irrespective of the precise way in which the Commission has approached it, is that it does at least provide a means of ensuring that the majority of agricultural land in the EU-27 is subject to some form of positive environmental management, given the budgetary constraints on Pillar 2.

8. Given the current budgetary constraints and accepting that Pillar 1 direct payments were likely to continue at least for the next programming period, IEEP reviewed the available evidence about the most appropriate policy measures for greening the CAP as part of a study for the European Parliament (Hart et al, 2011). This demonstrated that different greening measures were suited to Pillar 1 and Pillar 2. Overall there was a clear need for environmental management to be carried out over a far greater area of farmland than is currently the case, requiring a combination of simple, basic, broad brush management and more tailored and targeted approaches. The study
identified a number of pros and cons of including basic environmental measures within Pillar 1. One of the most fundamental issues being the difficulty of finding one-size-fits-all measures for delivering environmental benefits in all EU-27 countries. Ideally measure need to be tailored and targeted to ensure the efficient delivery of environmental outcomes that address the specific local needs. The study did identify, however, a number of measures that could be universally applied and that did not require significant flexibility in their design. These included the maintenance of landscape features, the maintenance of permanent pasture and organic farming. However, it was concluded that other measures required some degree of flexibility in their operation whether or not this be done through Pillar 1 or Pillar 2.

9. In developing the measures, the Commission has had to strike a balance between the value of a common approach that is applied fairly uniformly in all Member States and flexibility to address the diverse conditions in the EU-27. By proposing a set of generally applicable, simple, annual payments, they have clearly opted for the former. Clearly, if only the UK situation needed to be considered, then the choices made would have been quite different.

Environmental impacts

10. It is difficult to be clear about precisely what the environmental impact of the proposed Pillar 1 greening measures is likely to be because much depends on precisely what sorts of management is required and the way that the measures are designed and operate in practice. This is not yet possible to determine as the detailed rules and requirements of the measures have yet to be developed and will be adopted by the Commission as delegated acts once the negotiations on the main legislative texts have been concluded. Any assessment of potential impacts, therefore, is highly speculative and can be based only on the information available within the current draft legislative texts. Nonetheless, some general comments can be made.

11. Universally applied measures in principle do have a place in a greening strategy for the CAP, although the limitations of purely annual payments restrict their effectiveness. A more robust strategy would give a larger role to Pillar 2 measures. At the pan European level, however, Pillar 1 measures do have the potential to deliver a range of environmental benefits, especially Ecological Focus Areas (EFA) measure. One reason for this, at the most basic level, is that some management that should nominally be a condition of cross compliance standards of Good Agricultural and Environmental Condition (GAEC) is not being delivered in practice in some Member States (Alliance Environnement, 2007). The ‘greening’ measures, therefore, provide a stronger means of ensuring a basic level of environmental management across the farmed area. Of course this is difficult to measure and the additional environmental benefit will be greater in countries which have been less ambitious in implementing and enforcing cross compliance. However, at the EU level this does raise the question of the added value of measures compared to what is already required through cross compliance, with associated issues of policy efficiency and cost-effectiveness. Our view on the potential environmental benefits of the individual greening measures is set out below.

12. **Ecological Focus Areas:** Amongst the proposals, the measure that perhaps has the most potential to deliver additional environmental benefit is the ‘ecological focus area’. This requires a proportion (currently 7 per cent is proposed) of a farm’s eligible hectares (excluding land under permanent grassland) to be managed for ecological purposes. Examples of the types of land that could count as ecological focus areas included in the proposed regulation are landscape features, buffer strips,
fallow land or land afforested through rural development grant schemes. A full list, however, of what types of land would count and will be defined only in delegated acts.

13. Despite this uncertainty, however, it is clear that managing a proportion of the cropped area for ecological purposes has the potential to provide significant benefits for biodiversity (such as for birds, mammals and invertebrates), water quality, soil quality and carbon storage if managed appropriately. This is evidenced from the monitoring of similar management undertaken within agri-environment schemes and under set-aside in the past. However, the actual magnitude of the benefits will depend on the precise requirements under this measure, and in particular the location of the EFAs and their extent. Furthermore, given the generalised nature of the measure, there is a risk that its potential benefits may not be maximised due to farmer preferences. This is because the provision of in-field habitats such as fallow land would be most beneficial for biodiversity, whereas experience from agri-environment schemes indicates that practices that are limited to field boundaries and margins are most popular with farmers. The benefits for biodiversity as well as water quality, soils, carbon storage and climate adaptation could therefore be increased significantly by targeting and appropriate tailoring of management practices on the land concerned. This could be achieved through embodying this approach in the design of the measure and tying it in to more sophisticated management options supported by agri-environment schemes.

14. Permanent Grassland: Requiring permanent pasture to be maintained at the farm level should deliver some biodiversity benefits as well as benefits for water quality, soil quality and carbon storage. However, the measure focuses only on maintaining grassland area rather than protecting or enhancing its ecological quality. The most widespread impacts would be in terms of constraining the conversion of improved grasslands to temporary grasslands and arable crops (eg maize), with benefits for soil condition and biodiversity, and knock-on benefits higher up the food chain, as well as for aquatic biodiversity.

15. The conversion of semi-natural grasslands, which are of particularly high biodiversity value, to temporary grassland or arable would also be constrained. However, the risks such habitats face from agricultural improvement or abandonment will not be addressed by this measure, so this will continue to need to be dealt with via agri-environment schemes. In addition, as currently proposed, the measure’s environmental impact is limited by the CAP’s definition of permanent grassland, which allows the ploughing and reseeding of such grasslands as long as they are returned to grass, although the extent to which this occurs in practice varies significantly in the EU-27. Furthermore, the setting of 2014 as the baseline for the measure provides a powerful incentive for the ploughing up of permanent grassland in the interim, which would lead to significant ecological damage as well as soil carbon losses.

16. Crop Diversity: Introducing a minimum level of diversity into cropping patterns, as proposed by the European Commission, has the potential to bring modest benefits for the environment, particularly if it encourages greater rotation of crops, including the introduction of fallow or legumes into the rotation. Benefits for biodiversity will largely be in relation to common and widespread species, due to improvements in soil biodiversity and overall invertebrate populations, whereas the most seriously declining species are unlikely to benefit significantly. As with all these measures, impacts will be context specific.

17. It is important not to see the ‘greening’ measures in isolation. Indeed, perhaps the greatest potential environmental benefit from these measures is the foundation that they provide on which
more focussed agri-environment schemes under Pillar 2 can build. By funding these basic measures through Pillar 1, a greater proportion of the current agri-environment budget should in principle be available to incentivise more tailored and targeted management activities and to increase the extent of their coverage. The ‘greening’ measures, in contrast would reach a much larger proportion of farms, particularly those in sectors where the attractiveness of the payment levels for agri-environment schemes has been a limiting factor, for example in arable areas.

**Impacts on food production and competitiveness**

18. There has been a great deal of criticism of the proposed ‘greening’ measures, particularly the Ecological Focus Area proposal, in relation to the impacts that this will have on levels of food (and energy) production. This is understandable and a valid consideration, but it is important not to overstate the potential effect. While the proposals continue to be vague, it is nonetheless disingenuous to argue that EFAs will lead to seven per cent of the most productive arable land being taken out of production, as some have been suggesting.

19. As stated above, EFAs require seven per cent of all eligible hectares, excluding permanent grassland, to be managed for ecological purposes. The Commission’s own impact assessment suggested that on average 2.7 per cent of the current EU eligible area would be likely to count already as part of the EFA. In many Member States, landscape features are excluded currently from the eligible area. If this is exclusion is reversed, which it is possible to do, as part of the reforms, then this percentage qualifying as EFA will increase. Of course these percentages will vary between farms and so the remaining percentage of cropped area that will need to be found to form the EFA will also vary significantly. However, the production effect will always be less than the area effect because the least productive land usually will be used for the EFA first.

20. Nonetheless it is inevitable that the EFA measure will lead to some reduction in production levels, most notably in the most productive arable areas of the EU. Some argue that this is counter to food security objectives. However, food security is not simply about short term increases in food production, but about balancing production and sustainability over time as long term food security depends on the sustainable management of the natural resource base. It is therefore critical to protect the EU’s capacity to produce food into the future. Indeed analysis has shown that ‘in the longer term there may be a positive feedback from more sustainable agricultural practices in terms of higher yields, [although] the likely importance of this … is hard to quantify’ (Matthews, 2011).

21. Overall, therefore, it the available analysis suggests that the overall production impact of the EFA measure is likely to be small and other non-policy drivers will continue to have a much greater influence over production levels in the EU. The conclusion of a recent ICTSD review of the CAP proposals states that ‘…the legislative proposals, *ceteris paribus*, will slightly lower future EU production potential. But whether actual EU production in the future will be greater or smaller than today will depend on market conditions. In particular, if global supply tensions persist and world market prices remain high, then EU farmers will undoubtedly respond with increased production. Nonetheless, the EU’s share of global agricultural production will be (slightly) smaller than if it had not prioritised environmental public goods so highly’ (Matthews, 2011).

22. One merit of the model of greening Pillar 1 proposed by the Commission is that all measures apply in all Member States equally and therefore there is a level playing field across the EU. This can only be beneficial for the UK as one of the Member States that has taken a proactive approach
to addressing environmental issues in the past, taking forward cross compliance in a transparent manner.

Coherence with agri-environment schemes

23. Agri-environment schemes vary significantly in different Member States in terms of their design and the types of options and associated payments that are offered to land managers. England operates a sophisticated scheme that has built on experiences over the past 25 years and enjoys buy-in from farmers and environmentalists alike. It will be essential to ensure that the introduction of the ‘greening’ measures in Pillar 1 does not reduce the level of environmental benefits delivered through the CAP, and that a net increase in environmental delivery is achieved. It is also critical that any changes do not impact negatively on farmers who already have signed up to agri-environment schemes in order not to risk damaging the goodwill and commitment of farmers to the environment that has been built up over the years.

24. It is difficult to comment on the coherence between the ‘greening’ measures and agri-environment schemes in more than generalised terms at this stage, given that the detail of the greening measures is not available. In their current formulation, however, it looks as if there is likely to be some overlap between the ‘greening’ measures proposed and the current agri-environment options under Environmental Stewardship, particularly ELS and UELS. Given that organic farmers are exempt from the ‘greening’ measures, OELS may not be affected. It would seem logical, therefore, that the introduction of these measures would in principle require some re-design of current agri-environment schemes and certain payment rates may need to be altered.

25. Alternative solutions are worth exploring, for example those farmers undertaking a certain level of management under an ELS agreement could be exempt from the ‘greening’ requirements in the same way as it is proposed organic farmers should be. Other possibilities may be to seek additional flexibility within the rules for the ‘greening’ measures to allow them to be designed to ensure the most appropriate fit with existing agri-environment schemes.

26. Whatever the outcome, Environmental Stewardship will play an important role in adding value to the greening measures. The critical issue will be to ensure that whatever new measures are required under Pillar 1 are compatible and able to interact with the options available through ES. This may mean that some options within (U)ELS will need to be tweaked to ensure that they can build on the options under Pillar 1, and new options may also need to be introduced. Advice will also be essential to ensure the appropriate siting of measures to maximise environmental benefits.

Coherence with the simplification agenda

27. The evidence suggests that the delivery of environmental benefits is maximised, the more that measures are tailored and targeted to location needs and situations. Greater benefits are also associated with greater levels of advice provision. Given this, it is inevitable that delivering environmental outcomes will involve some form of administrative burden in terms of processing payments, checking compliance, ensuring adequate enforcement, providing advice and training for farmers and undertaking adequate monitoring and evaluation.

28. The generalised nature of the greening measures would appear to be an attempt to minimise any additional administrative burden, particularly in terms of enforcement and compliance checking for the paying agencies, although this seems to have come at the expense of more flexibility within
the measures themselves. Ensuring that delivery is as simple and straightforward as possible is an important goal, but seeking simplification should not be at the expense of achieving environmental outcomes.

Comments on other elements of the proposals

29. In terms of the other elements of the CAP reform proposals from the Commission, we are pleased to see that climate change is signalled as an important issue for the CAP for the first time, in keeping with the priorities of the EU2020 strategy and there is also a greater emphasis on the importance of advice, collaborative action and innovation.

30. We are also particularly pleased to see that monitoring and evaluation requirements have been extended beyond rural development to cover all elements of the CAP, including direct payments and cross compliance. The absence of formal regular monitoring and evaluation requirements for these elements of the CAP has long been an issue in terms of being able to access good quality information from all 27 Member States on which their impact can be assessed. This has been an issue particularly with cross-compliance.

31. In relation to Pillar 2, it will be critical that the budget proposed in the draft multi-annual financial framework is not eroded further, given that the current proposals represent already a decrease in real terms over the next programming period. Of particular concern, therefore, is the inclusion of the possibility for a selection of Member States, including the UK, to transfer funding from Pillar 2 to top up their Pillar 1 funding, which would appear to be counter to political commitments made in June at the time of the Budget announcement to maintain a strong Pillar 2.

32. Given these constraints, we are pleased to see the requirement that all priorities for Pillar 2 must contribute to ‘the cross-cutting objectives of innovation, environment and climate change mitigation and adaptation’ (Art 5 of COM(2011) 267/3). We are also pleased that there is a commitment to earmark funds for environmental and climate purposes, with the continuation of the requirement on Member States to spend a minimum of 25 per cent of the EAFRD proportion of the budget ‘for climate change mitigation and adaptation and land management, through the agri-environment-climate, organic farming and payments to areas facing natural or other specific constraints measures’. This earmarking, however, is only stated in the preamble to the regulation and needs to be included also within the legislative text to ensure that it is suitably reflected in the development of Rural Development Programmes.

November 2011

References


Written evidence submitted by Natural England (GCAP 29)

Executive Summary

- Natural England is the Government’s statutory advisor on the natural environment. Natural England is responsible for delivering, on behalf of Defra, Environmental Stewardship and other schemes which offer payments to farmers and land managers in England for effective land management to protect and enhance the environment and wildlife.

- Our evidence supports the Commission’s assertion that there is value in some level of environmental management to be incorporated into mainstream farming across whole landscapes. For example, looking at the aspirations set out within the England Biodiversity Strategy action at this sort of scale is fundamental if we are to achieve the Biodiversity 2020 targets.

- The Commission’s assessment of the potential environmental benefits of their particular proposal is, we believe, limited, and largely unsubstantiated. Past evidence suggests that greening, as currently proposed, may not generate environmental benefits on the scale that the Commission anticipate, and in some cases there is a risk of significant perverse effects. The Environmental Focus Area is one element of the Commission proposals that does have the potential to deliver significant environmental benefits, but, as currently defined, this would not be in a way that makes the most efficient use of available land and minimises the impact on food production.

- The addition of greening in Pillar 1 will not make the CAP simpler. However, experience from current delivery has demonstrated that delivering environmental benefits effectively is inherently complex, so a degree of additional complexity is to be expected. The question is whether the additional complexity of the Commission’s proposals would be justified by, or proportionate with, improved environmental outcomes.

- The limitations of Pillar 1 funding (annual, non-contractual etc) mean that it is not the ideal mechanism for supporting complex, multi-annual, locally specific environmental management. Experience to date and the available evidence suggest that Pillar 2 is likely to be a more effective mechanism to deliver environmental outcomes.

- Recommendations for improving the greening proposals are essentially policy issues for Government to decide. We are working very closely with Defra (as our sponsoring department) to make available evidence which may support and usefully inform its subsequent chosen policy direction. We would like to emphasise that we are strongly committed to adding constructive value to Select Committee inquiries wherever we can, and it has been helpful to agree with the Committee ahead of our appearance at the proposed oral evidence session on 23rd November that Natural England is not able to discuss or comment upon future policy direction. This, as the Committee has recognised, is a matter for Government rather than ourselves.
1. **Introduction**

1.1 Natural England is the Government’s statutory advisor on the natural environment. Natural England’s purpose is to ensure that the natural environment is conserved, enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.

1.2 Natural England is responsible for delivering, on behalf of the Department for the Environment, Food and Rural Affairs (Defra), Environmental Stewardship and other schemes which offer payments to farmers and land managers in England for effective land management to protect and enhance the environment and wildlife. These schemes form part of the Rural Development Programme for England (RDPE) (2007-2013). It is within this context that our evidence is provided.

2. **Will the proposal to green direct payments generate significant environmental benefits?**

2.1 Most environmental outcomes depend on positive management to get the best results. This is true for resource protection as much as for biodiversity. Sir Don Curry’s 2002 report¹ supports the Commission’s assertion that there is a need for some level of environmental management to be incorporated into mainstream farming across whole landscapes. It was this report that led to the introduction of Entry Level Stewardship (ELS) in 2006. More recently it has been supported by the findings of the Lawton Review², which has in turn informed the targets set by Government in the England Biodiversity Strategy (EBS)³.

2.2 The Commission’s assessment of the potential environmental benefits of their proposal is somewhat limited and relatively unsubstantiated. We also note that administrative constraints have forced them to put forward proposals that are significantly different to the options they originally assessed. The Commission’s proposal for crop diversity would not ensure the rotation of crops and their proposal for permanent grassland would not ensure the conservation of grassland of high environmental value. This is discussed further below.

2.3 We feel that a definitive assessment of the potential of the proposals is currently impossible due to the lack of detail in the proposals, much of which is reserved for subsequent implementing regulations and delegated acts. However, we might conclude that it looks unlikely that greening as proposed will generate environmental benefits on the scale that the Commission envisage, and in some cases there is a risk of significant perverse effects. Our evidence to underpin this assessment is outlined below, for each of the specific proposals:

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2.3.1 Retention of Permanent Grassland

- Grassland that is not ploughed or otherwise cultivated delivers important benefits for biodiversity, the historic environment and landscape character, climate change mitigation and water quality\(^4\). The extent and nature of these benefits largely depend on factors such as location, extent of previous cultivation/fertilisation/reseeding etc and current management practices. The Commission proposals are based on the current definition of permanent grassland which includes land which may be repeatedly cultivated and sown down to grass again. Retaining an overall stock of grassland would help retain current levels of soil carbon, but might fail to target the most valuable grassland which may be species-rich or underlain by archaeological remains or provide valuable habitat for invertebrates or birds. The Commission proposals would not introduce any restrictions on management practice at the parcel level. This severely limits the scope to maximise environmental benefits.

- A range of existing provisions, such as statutory designations, the Environmental Impact Assessment requirements, and the current CAP requirement to maintain the ratio of permanent grassland at Member State-level, all to some extent restrict the potential loss of permanent grassland. The Commission proposals, in the absence of any more specific targeting and management conditionality, would do nothing to enhance these existing provisions.

- Furthermore there is a real risk that this proposal could potentially be harmful, by encouraging increased loss of grassland in the intervening period, before the 2014 reference date, as farmers seek to maximise their flexibility for cropping decisions in future. The majority of key areas are protected by the existing provisions, although we recognise that there remains a risk to some sites. There is also a significant risk to grassland created from arable reversion through agri-environment agreements that are due to expire between now and 2014, with consequent loss of the landscape, resource protection, biodiversity and soil carbon benefits that may have accrued. The Commission has proposed a way of controlling this risk in the form of a new transitional cross compliance requirement to retain permanent grass parcels in the horizontal regulation\(^5\). But this may not be fully effective within England as we do not currently have farm level controls on permanent pasture.

2.3.2 Crop Diversity

- A definitive assessment of the extent of change to farming systems, and therefore the extent of any associated environmental benefits, is difficult in the absence of the definition of ‘crop’ in the Commission proposals.

- There is very limited evidence on the environmental benefits of an increase in crop diversity\(^6\), and much depends on the choice of substitute crops. Conversely there is

\(^4\) National Ecosystem Assessment technical report Ch. 6 http://uknea.unep-wcmc.org/Resources/tabid/82/Default.aspx

\(^5\) Proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy. Article 93 “In addition, as regards the years 2014 and 2015, the rules on cross compliance shall also comprise the maintenance of permanent grassland. The Member States which were Member of the Union at 1 January 2004 shall ensure that land which was under permanent grassland at the date provided for the area aid applications for 2003 is maintained under permanent grassland within defined limits”.

good evidence on the environmental benefits of crop rotation and also very positive evidence about the benefits of mixed (arable-livestock) farming systems\(^7\). Unfortunately the inability to prescribe specific crops, or formal rotation, as part of the Commission proposals means that the environmental benefits of this measure are likely to be considerably reduced.

- Additionally there is a risk of the loss of small areas of arable cropping (>3ha) in predominantly grassland areas because it is impractical to manage three different crops on this scale or in some marginal areas. These cropped areas can be important for biodiversity in pastoral areas\(^8\)\(^9\).

2.3.3 **Environmental Focus Area (EFA)**

- This is the one element of the Commission proposals that does have the potential to deliver significant environmental benefits. There is a robust body of evidence showing that in the UK and elsewhere in Europe, set-aside did have a positive impact on the farmed environment\(^10\). However, the precise potential will be determined by the interaction between the percentage EFA requirement, the eligibility of different features as a contribution to the EFA and the nature of any positive management conditionality required – all factors that remain largely unconfirmed in the proposals.

3. **The impact of additional greening requirements on food production and the competitiveness of the agricultural industry**

3.1 Consideration of the impact of greening on competitiveness could perhaps be best made in the wider context of Pillar\(^11\).

3.2 A degree of impact on food production from greening is inevitable:

- The permanent grassland measure would impact unnecessarily on competitiveness as it would 'ossify' land use, limiting the ability of current and future businesses to adapt and respond to the market by ploughing up grasslands of both low and high environmental value and planting crops on land that is well-suited and may have grown them in the past.

- The proposed crop diversity measure may impact on competitiveness as it runs counter to the trend towards block cropping and simplified rotations in response to economic pressures.

- The proposed EFA measure will inevitably lead to some loss of food production. The precise impact will depend on the percentage adopted and the definition of what is eligible (especially the extent to which existing features can count). Evidence suggests that environmental benefits can be delivered in ways that minimise this impact. This could be achieved by supporting additional environmental management requirements for EFA land; for example, the positive management of fallow land, eg

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\(^10\) Set-aside: conservation value in a changing agricultural landscape – Agriculture Ecosystems and Environment have published as a Special Issue (Vol 143, Issue 1, Sept 2011) Guest Editors Morris & Báldi.

by planting and managing a pollen and nectar seed mix. It is less obvious that EFA will impact on the competitiveness of farming except on the most intensive farms on the best land. Precision farming techniques tend to show that for most farms there is a percentage of the land where the cost of the inputs outweighs the return. We feel that there may even be some potential for ‘win-win’ outcomes in this area. For example via certain ‘smart’ implementation models greening could help with soil conservation and securing populations of beneficial insects.

4. **Consistency of the greening proposals with the CAP simplification agenda**

4.1 The addition of greening in Pillar 1 will not make CAP simpler. However, experience from current delivery has demonstrated that delivering environmental benefits effectively is inherently complex so a degree of additional complexity is to be expected. The question is whether the additional complexity of the Commission’s proposals would be justified by improved environmental outcomes. On this point we note the useful guiding principal that is provided in the March 2011 Agriculture Council paper on simplification, which was roundly supported by the UK and around three-quarters of EU Member States, it reads: “An acceptable justification for increased cost might include better targeting of funding towards the provision of public goods, or a reduction in risk to EU funds – providing these benefits exceed the costs of achieving that”12

4.2 Agriculture is diverse and complex across the EU and agricultural interaction with the environment adds to that complexity. Establishing simple and standardised approaches across the EU is therefore a real challenge especially in seeking solutions where all farm systems and all environmental circumstances will add real value. The best that can be expected is a foundation on which more complex and targeted management could be delivered.

4.2 Greening proposals would inevitably add to the overall level of complexity. From a delivery body perspective the addition of greening in Pillar 1 is likely to add complexity in the following ways:
- Delivering environmental management through a combination of annual and multi-annual agreements, with the cross-checks necessary to ensure consistency between these.
- Identifying, mapping and measuring EFA features.
- Managing the transition from the current programme.
- Monitoring Pillar 1 and Pillar 2 compliance.

5. **How greening pillar 1 can be made coherent with agri-environment schemes**

5.1 Depending on which greening proposals are agreed, it seems clear that it will be useful to clearly define the interface between agri-environment schemes and greening. If it is possible to design a greening package that delivers the area that is currently delivered by ELS then it will also be possible to design schemes that would provide incentives to positively manage this area for the environmental benefits it can provide. This would restrict the role of Pillar 2 to that of offsetting the costs of additional positive management.

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5.2 Natural England has previous experience of using agri-environment options as 'top-ups' to pay for additional management on features which have been taken out of production under other measures. ELS was designed to provide a limited range of top-ups on set-aside land, for example, allowing for top-up payments to encourage the use of this land for growing wild bird seed and pollen and nectar mixes.

5.3 We note that various transitional issues could be addressed to maintain existing agreements and phase changeover.

6. Conclusion

6.1 The Commission’s ambition to generate greater environmental outcomes in the CAP, including the ambition to get action across the whole of the farmed environment is backed up by evidence of need. In England, action at this sort of scale is likely to be required if we are to hit the targets set out in the England Biodiversity Strategy 'Biodiversity 2020'.

6.2 The current proposals may not be the most efficient or effective way of doing this, either in England or across the EU, as they could lack the important flexibility to target and to tailor eligibility - and are limited by their annual non-contractual nature.

6.3 We note that through the current experiences of the Campaign for the Farmed Environment, England could offer some very ‘real time’ practical and pertinent lessons around the potential for environmental delivery in the absence of conditions attached to direct payments.

6.4 The limitations of Pillar 1 funding (annual, non-contractual etc) mean that it is not the ideal mechanism for supporting complex, multi-annual, locally specific environmental management. Experience to date, and the available evidence, suggest that Pillar 2 is likely to be a more effective mechanism to deliver environmental outcomes.

November 2011
Written evidence submitted by the Department for Environment, Food and Rural Affairs (Defra)  
(GCAP 30)

Introduction

1. The EFRA Committee’s inquiry will allow consideration of the impact and effectiveness of the European Commission’s proposals to green Pillar 1 of the CAP and a welcome exploration of the scope for possible alternatives.

2. The Government is in favour of a greener CAP, with a greater proportion spent on public goods, including improved environmental outcomes such as supporting biodiversity and climate change mitigation. Agri-environment schemes within Pillar 2 are the best way to deliver meaningful environmental outcomes, as programmes can be tailored to local conditions and commit farmers to taking environmentally beneficial actions over a reasonable period of time. However, the Government is also willing to consider alternative approaches, provided that they deliver good value for money.

The Commission’s proposal

3. The Commission’s proposals for new rules on direct payments include a requirement for Single Payment Scheme recipients to observe (where applicable) three environmental practices, intended to be beneficial to climate change mitigation and the environment, in return for a payment financed from 30% of the national direct support ceiling. The specific practices are as follows:
   - Crop diversification: at holding level arable land of more than 3 hectares must have at least three different crops. None of the crops should cover less than 5% and the main crop should not exceed 70% of the arable land.
   - Permanent grassland: farmers must retain areas under permanent grassland (as declared in 2014).
   - Ecological Focus Area (EFA): an area equivalent to at least 7% of a farmers’ eligible hectares (permanent grassland is excluded from the calculation) should be used for ecological purposes. Habitats and features that would be eligible to fulfil the EFA requirement may include: fallow land, terraces, landscape features, buffer strips, and areas afforested under pillar 2.

4. Participants in the proposed small farmers’ scheme are exempt and organic farmers will automatically receive the greening payment.

5. Those farmers fully or partially in Natura2000 will need to meet the greening measures, in as far as they are consistent with their Natura2000 management requirements.
Whether the proposal to green direct payments will generate significant environmental benefits

6. We welcome the Commission’s ambition to generate greater environmental outcomes in the CAP. However, as currently proposed the Commission’s measures are unlikely to deliver additional environmental benefits across the EU because, in attempting to make them applicable across all Member States, they are far too basic in their approach. Moreover, because they will have to be applied as annual measures on a non-contractual basis they will be less effective in ensuring targeted, long term, guaranteed environmental management of the farmland. Consequently, in our view, they fall short of delivering the level of environmental outcomes achieved by England’s current Entry Level Stewardship scheme which delivers a basic level of environmental outcomes across 70% of England’s agricultural area covering a range of objectives including climate change mitigation, water quality and biodiversity.

The Commission’s impact assessment

Benefits

7. The Commission’s impact assessment does not provide strong evidence for the environmental benefits of the proposed greening measures. There is evidence that EFAs could provide benefits in terms of biodiversity, soil quality and potentially lower carbon emissions. However, it is noted that these benefits will be dependent upon which features are included in EFAs. It is argued that there could be reduced carbon released from land by reducing ploughing up of permanent grassland, alongside benefits in biodiversity, soil quality, and so on. However, much of this is based on the premise that specific parcels of grassland would be maintained over a lengthy period of time, rather than that the overall quantity of grassland is kept constant over time. (It is not evident that the proposal would have that effect). Neither does the impact assessment tackle the issue of additionality, i.e. the extent to which permanent grassland would be managed differently to the way in which it would be managed without this policy change. No evidence is given to support the environmental benefits of crop diversification. Instead the impact assessment is still focused on the former proposal of crop rotation.

Costs

8. The Commission estimates the areas of UK farmland affected by greening measures to be relatively small. For example, they estimate 0.5% of potentially eligible area (PEA) would be forced to diversify and 1% to 2.3% of PEA would need to be set aside after accounting for already fallow land. There is estimated to be an opportunity cost of maintaining permanent pasture for 8% of PEA.

9. The costs per hectare of PEA of each greening measure are estimated to be 0.6euros for crop diversification, 4 to 10euros for EFA (for 5% and 10% EFA thresholds respectively) and 27euros for permanent pasture. It is important to note a few things in interpreting these results.
• First, this is the cost spread across all areas of eligible land, not the cost per hectare of land that needs to change to meet a specific requirement.
• Secondly, it is not clear what has been counted as separate crops e.g. whether spring and winter barley count as separate crops.
• Thirdly, the quantity of land involved in conversion to EFA (and therefore the costs) is based on the land required to meet the threshold minus land already left fallow. If more features were permitted to count as EFA, e.g. hedgerows, then a smaller area would face extra cost due to this measure and therefore cost per hectare of PEA would be lower.
• Fourthly, the cost estimates of permanent pasture are not comparable to those of the other measures. They reflect the opportunity cost of not being able to convert grassland to its next best uses, not actual costs faced.
• Fifthly, the burden of costs will vary amongst UK farmers. For example, the Commission highlight that highly specialised cropping farms are expected to be most affected by diversification and livestock farms are more likely to be affected by the permanent pasture requirement.

10. The Commission also estimates wider impacts on commodity prices through changes in crop production due to the crop diversification and EFA requirements. Livestock farms are highlighted as potentially facing higher input costs as the price of feed increases.

Our interim assessment

11. The lack of detailed eligibility conditions (to be agreed in implementing regulations and delegated acts) makes a definitive analysis difficult. However, our assessment suggests the following:

a) Crop Diversification

12. Introducing a variety of crops into production can have a number of positive environmental effects for example on soil quality and protection. It can also prevent the build up of crop-specific pests and weeds. Further, diversification can have benefits for both landscape character and biodiversity where there is a predominance of one or two crops. The precise benefits are highly dependent on which crops are adopted and how they are rotated. However, as the Commission itself recognises, the environmental and agronomic benefits of this measure are severely limited by the inability to specify the crop because of World Trade Organisation (WTO) constraints on direct support for production and by the inability to require rotation because of the practical difficulties of administering and enforcing this as an annual measure in Pillar I.

b) Retention of Permanent Grass

13. Protecting permanent grassland can have benefits for biodiversity, historic interest, landscape character, climate change mitigation and resource protection. The extent of the benefit realised by this greening option, however, would depend on how permanent grassland is
defined and what management practices are permitted. The current definition of permanent pasture in the draft regulations does not distinguish between valuable permanent pasture which is rarely, if ever, cultivated or re-seeded and more likely to consist of semi natural vegetation and less valuable pasture which is periodically cultivated or re-seeded. This undermines, if not negates, many of the potential benefits. A measure which sought to protect this higher value pasture and maintain it under management would benefit soil and resource protection, help store carbon and ensure the maintenance of a significant biodiversity resource.

14. Instead the Commission proposals add little by way of environmental outcomes to the provisions already present in the CAP regime. The Commission proposals essentially place the national requirement for Members States to ensure that the ratio of the land under permanent pasture at national level in relation to the total agricultural area should not fall below 10% (compared to the baseline year) at the farm level. However, without also distinguishing higher value pasture the measure is unlikely to provide additional environmental benefit.

15. The current CAP control on permanent grassland operates at a Member State level. This permits cultivation and re-seeding of grassland, and limited production of some forage crops. The Commission’s proposals imply that a restriction will apply at an individual farm level in 2014 and 2015. The precise nature and impact of the control is unclear, but the inference is that farmers may no longer be able to plough this grassland. Consequently some farmers are considering taking pre-emptive action in the short term to avoid the risk of possible restriction in the future. This threatens to damage old unploughed grassland that may have become an important carbon store as well as developing an environmental value. Although there are potential mechanisms in place such as the Environmental Impact Regulations (applying to semi-natural habitats only) that may limit some of this damage, there are concerns that damage will result as a consequence of giving notice of the proposals and the apparent selection of a future baseline. The Commission has indicated that it intends to roll forward the current cross-compliance rule on permanent pasture in order to mitigate this.

c) Ecological Focus Areas

16. This measure, depending on detail, could have benefits for biodiversity, resource protection, landscape character and greenhouse gas emissions. The extent of those benefits is critically dependent on the final percentage requirement for EFA, the targeting of the areas and the eligibility of different features as contribution for the EFA requirement. However, there would have to be sufficient Member State discretion allowed to ensure the measure could be applied in ways appropriate to specific national circumstances and environmental priorities. In such circumstances the potential environmental benefit of EFA could be significant.

1 Article 4 (h), COM(2011) 625/3
d) Other Considerations

17. The 30% of Pillar 1 devoted to greening will vary in size between Member States depending on the size of their Pillar 1 allocations. The costs of implementing greening also vary considerably between Member States. In the UK this could mean a payment of around £50-60 per hectare (though this is a very rough estimate depending on assumptions about Pillar 1 allocations which are far from settled), considerably more than the £30 per hectare payment rate used for Entry Level Stewardship. However, the size of the greening payment does not reflect, nor attempt to reflect, either the cost to farmers of the greening requirements or the benefits to the public of greening.

18. WTO rules require that agri-environment schemes in the so-called Green Box (as current schemes such as Environmental Stewardship are) pay only for the income foregone by the land owner / manager, the additional costs incurred and the transaction costs. The implication of the Commission’s Impact Assessment is that they intend to get around this, by not declaring the greening payment as an agri-environment scheme but instead as an income support scheme. It remains to be seen if this is really credible. Declaring greening as an income support scheme also comes with rules to fit within the WTO Green Box – primarily, that the payment cannot be tied to production or factors of production. This therefore limits what greening, as envisaged by the Commission, can ask of farmers and achieve for the environment.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry;

19. A concern about the impact of greening on food production and competitiveness comes from the proposal that farms should have 7% of their agricultural area as an EFA. If this means simply increasing the amount of productive land out of production, this could decrease the amount of food produced by EU farms. This could then have the effect of increasing grain prices and also the price of livestock sector outputs through an increase in their feed costs. The EU’s net trade position might be expected to worsen due to lower production. For example, its exportable surplus in grain would be expected to diminish. Careful consideration therefore needs to be given to the proportion of land which should be managed as EFAs.

20. The degree to which EFAs will require productive land to be taken out of production will be a factor of the features which would be allowed to count towards the total. Additionally, the proportion of land which should be set aside as EFA could be mitigated by the type and extent of environmental management which should be undertaken on them. In short, the size of the EFA could be traded off against the amount of environmental management that takes place in it.

Consistency of the greening proposals with the CAP simplification agenda;

21. The CAP has become complex and cumbersome to administer, leading to significant costs to national governments and to farmers, who have to comply with complicated legal
requirements. The UK is committed to the goal of a CAP that is significantly simpler overall for farmers, administrators and paying agencies and that can be operated more cheaply and more efficiently than the current regime.

22. The direct payments proposals are a great deal more complex than before and applicants will face greater risk of inadvertent errors resulting in significant financial penalties. In particular instead of the single top slice of direct payments allowable under article 68 at present the new single payment scheme would now have potentially four top slices (for small and young farmers, an optional payment for Areas of Natural Constraint (ANC) and greening).

23. The greening proposals themselves create further complexity and are likely to add additional administrative burden to farmers and paying agencies with little by way of offsetting environmental gains. The crop diversification proposal for example appears at odds with the simplification agenda for the customer. Enforcement of this provision could require validation that farms have arable land consisting of at least three crops none of which cover less than 5% of the arable land with the main one not exceeding 70% of the arable land. The scheme that preceded the Single Payment Scheme had 135 crop codes and the move to fewer codes under the Single Payment Scheme was a welcome simplification for customers which reduced the scope for audit criticism where they had entered the wrong land use code. At present a single land use code ‘OT1’ covers arable crops in England. Potentially additional codes might need to be reintroduced in order to differentiate between different crop types. Initial analysis suggests that approximately 71,000 claims contain at least some arable land and might have to use additional land use codes.

24. On permanent pasture the reference area would under the proposals be evaluated on a holding basis rather on a national basis, as at present. Arguably the existing national requirement to maintain the area of permanent grass, coupled with the Environmental Impact Assessment provisions already provide a more specific safeguard, especially for higher environmental value grassland that is not covered by statutory designations. These arrangements are well established, simpler to administer and have given rise to no particular concerns about the retention of permanent pasture.

25. The percentage based quantification of Ecological Focus Area will add complexity to claim processing. Even if there was simply a basic requirement to take a certain area of land out of production, with no specific management requirements, a certain amount of complexity would still arise from the need for accurate calculation of the eligible area.

How greening pillar 1 can be made coherent with agri-environment schemes,

26. There are a variety of ways in which greening could be made coherent with agri-environment schemes. Some have already been suggested as possibilities. For example receipt of greening in Pillar 1 could be made conditional on participation in entry-level type agri-environmental schemes (under Pillar 2). Alternatively some form of entry-level environment scheme membership in Pillar 2 could be considered sufficient condition for receipt of greening payments – effectively a derogation from the greening requirements. Or Member States could
be given significantly greater flexibility to design stringent greening requirements that suit their own conditions and avoid unnecessary burdens of farms. However, none are without their disadvantages and will vary as to the additional environmental benefit they bring to the CAP, the potential legal constraints they face, and the value for money they represent.

27. The UK wants to be able to continue its ambitious agri-environment programme. We recognise that there is concern about how the greening of pillar would relate to agri-environment schemes. If greening measures similar to those proposed by the Commission are finally adopted, agri-environment schemes, and ELS in particular, will inevitably need adjustment in order to reflect the legislative baseline measures in Pillar 1 either under cross-compliance or through greening.

28. If that is the case we will want to ensure there is an appropriate and acceptable balance between the potential environmental benefit on the one hand and degree of delivery disruption on the other. It is too early to say how this would be done in practice but, while we need to comply with the regulations, we would want to ensure farmers, land-mangers and other stakeholders are properly involved and consulted and that we manage the negotiations and policy development in a way that ensures that agri-environment agreements holders continue to be paid for environmental land management measures they deliver over a number of years that go beyond the requirements of Pillar 1 and are not left worse off or penalised for having entered into agreements. We would seek to ensure that any adjustments that would absolutely have to be made to existing agreement would be made in a way that would not require farmers to take land out of production beyond the future requirements of cross-compliance and / or “greening” measures.

Recommendations for improving the greening proposals.

29. A CAP which delivers greater environmental outcomes through expenditure on public goods is best delivered through Pillar 2 where programmes can be targeted at local conditions, be both multi-annual and contractual, and offer better value for money. If additional environmental measures are to be included in Pillar 1 they must, at minimum, deliver meaningful environmental outcomes and provide a strong base for actions under Pillar 2.

30. The option of transfer of funds from Pillar 1 to Pillar 2 is not covered by the Committee’s questions. The Commission proposals now provide for up to 10% transfer from Pillar 1 to Pillar 2 alongside greening. Flexibility to move resources between pillars is potentially the most flexible mechanism available to Member States to maximise the environmental outcomes from the CAP and the one delivering both the most additionality and the least disruption to existing agreements.

31. With regard to improving the greening proposals themselves, the extent of additionality of any greening is a key consideration. Greening options with low or no additionality represent poor value for money and will make little contribution to the overall environmental outcomes of a reformed CAP. Options with high additionality would underpin and provide a baseline across the EU for more focused and targeted agri-environment schemes potentially providing greater ambition and scope for expansion of activity within Pillar 2.
32. We recognise that there is a difficult balance to strike between achieving the Commission’s laudable aims of enhancing environmental outcomes most effectively and adding too much administrative burden. However, we do not think the Commission’s greening proposals find the right balance between complexity and additional environmental outcomes.

33. Providing more flexibility for Member States to define land to be included in the Ecological Focus Area, and management practices appropriate in their countries; whilst removing those elements of the proposal which offer least for the environment (such as crop diversification), might offer some scope for redressing some of that balance.

November 2011
Written evidence submitted by the European Forum on Nature Conservation and Pastoralism (GCAP 31)

Specific comments to EFRA – these are additional to the main EFNCP text

Whether the proposal to green direct payments will generate significant environmental benefits

The idea of applying one set of requirements to all EU farmers is fundamentally flawed. Targeted incentives for farms with particular characteristics and/or undertaking specific actions would be more effective. These should be introduced under Pillar 1, under LFA, and expanded under agri-environment.

The proposed greening is only of any potential benefit on intensive farmland. It offers nothing for the farmland that is already harbouring important environmental value (HNV farmland). This farmland and the farming systems that have maintained it till now requires more support and incentives, but the CAP proposals offer nothing concrete in this direction. EU policy should focus much more on keeping existing values. DG AGRI seems to have no interest in this type of farmland.

Permanent pasture – no benefits as currently conceived, an extra layer of bureaucracy for nothing. If the approach of obliging farmers to keep permanent pasture is taken, then the category must be adjusted so that it does not apply to pastures that are regularly reseeded. However, we believe such controls will never be very effective. Permanent pastures of environmental value need incentives, more than controls. We propose a Pillar 1 top-up payment for low-intensity permanent pastures, along the lines of the current ELS measure in England but with simpler conditions.

EFA 7% - potential benefits in very intensively farmed landscapes where current GAEC and agri-environment are weak (many parts of EU). The 7% should include linear and point landscape features. It should not include land afforested under EU schemes. It should not be tradable between farms.

For high-nature-value farmland (which we can assume always has far more than 7% EFA) the EFA measure is of no benefit. In addition, GAEC has been weakened with the removal of the over-arching theme of “avoiding habitat deterioration”, so that the protection of semi-natural farmland habitats (other than landscape elements), such as species-rich grassland, is now weaker.

We propose a simple Pillar 1 top-up payment in proportion to EFA on the farm. The more you have, the more the CAP rewards you.

Crop diversification – minimal benefits, especially with no rotation requirement.

Consistency of the greening proposals with the CAP simplification agenda

The greening proposals are apparently simple, from an abstract policy-maker’s perspective. But putting them into practice in a way that generates benefits in an efficient way is not at all simple. So the proposals are not consistent with the simplification agenda. Targeted incentives would be simpler.

How greening pillar 1 can be made coherent with agri-environment schemes,

Greening Pillar 1 will inevitably make it necessary to change some agri-environment schemes. In some cases, with the EC proposals farmers will be obliged to do things under greening that previously
were incentivised under agri-environment. We believe incentives are more effective than controls – Pillar 1 greening should be about introducing top-up payments to replace some of the basic agri-environment measures, such as low-intensity grassland.

**SUMMARY OF KEY RECOMMENDATIONS**

**Direct payment scheme:**

Put more emphasis on targeted incentives (top-up payments) for the most environmentally positive farmland types and practices, and less emphasis on standardised EU rules for things of limited value.

Ensure that all land under active farming use is eligible for the new direct payment scheme, especially the most marginal grazing land that is most threatened with abandonment and where environmental losses will be greatest.

Ensure that the delineation of regions for direct payment calculation results in payments for low-productivity land that are sufficient to maintain current farming.

**Permanent pastures:**

No more exclusion of HNV pastures from direct payments - remove the word “herbaceous” from the permanent pasture definition once and for all. Minimum farming activity should determine eligibility, not vegetation types.

Greening component for permanent pasture – there will be no environmental benefit unless permanent pasture is redefined to exclude land not reseeded within at least 5 years (more years = more benefit). The 2014 baseline date must change to 2010.

Introduce a Pillar 1 top-up payment for permanent pastures on condition of no re-seeding or ploughing.

Keep the current GAEC overarching issue on “avoiding deterioration of habitats”, especially for permanent pasture. Member States should define requirements in more detail. Add the EIA Directive as an SMR.

Apply GAEC to farms in the small farms scheme.

Apply the greening requirements to organic farms.

**Ecological focus areas:**

Introduce a Pillar 1 top-up payment to reward existing and new EFA above a minimum threshold.

Land afforested with EU grant-aid should not count towards EFA.
EAFRD

Add the option for Member States to use farm-level criteria for targeting higher Natural Constraints (LFA) payments to specific farming or landuse types, especially HNV farming types.

Add HNV farming and extensive livestock systems as themes for sub-programmes.

Exclude permanent pastures from EU-funded afforestation, only arable and temporary grassland should be eligible.

Add NGOs as explicitly eligible for the Co-operation measure.

INTRODUCTION

Following a series of draft versions that were widely leaked and criticised, the Commission released its legal proposals for the new CAP on the 12th October. http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

These consist of several draft regulations, most notably the:

- Direct payments (DP) regulation, establishing a new basic payment to replace the current Single farm Payment (SPS).
- Horizontal regulation, establishing rules for financing, managing and monitoring the CAP, including cross-compliance rules.
- Rural development (EAFRD) regulation
- Single CMO regulation, establishing common market regimes for agricultural products, setting minimum prices, etc.

There are undoubtedly some good aspects to the proposed regulations. In Pillar 1, the move away from the historic payment system of SPS to standardised payments per hectare is a big step in the right direction for the EU15, and potentially favours lower productivity land and thus low-intensity farming. Unfortunately, there are also ways for Member States to avoid major redistributions of Pillar 1 support. In Pillar 2, there is a welcome emphasis on the need for rural development programmes (RDP) to show clearly how they will deliver a set of EU priorities, where the words HNV farming are still to be found, based on an analysis of what really needs to be done to pursue these priorities.

However, there is also much that is wrong with the proposals from the environmental point of view, and especially for extensive HNV farming systems. Overall there is far too much emphasis on standardised packages of rules for all farmers, in return for standardised payments, an approach that flies in the face of the great diversity of European farming. We believe that providing targeted incentives for specifically positive farming types, practices and features would be far more efficient.

Major opportunities for better targeting of support to extensive farming types have been missed, under both Pillars. The problems of large areas of actively farmed shrub and tree pastures being excluded from direct payments has not been resolved (yet). Meanwhile the supposed “greening” of Pillar 1 is largely ill-conceived - especially for permanent pastures, the proposed system offers nothing to protect extensive grasslands and is unlikely to produce any environmental benefits, so it is in danger of becoming just another layer of pointless bureaucracy. Crucially, much now depends on the
details of implementing rules and so-called “delegated acts” to be drawn up by the Commission in the coming months.

OVERALL REMARKS

No one would deny that HNV farming (mainly extensive livestock and tree-crop systems) is central to the maintenance of European biodiversity, the delivery of ecosystem services, and the social fabric of many marginal rural areas. From all these perspectives, these are the most important types of farming in the EU. It is also well documented that extensive farming systems are threatened by widespread abandonment and also by afforestation, leading to biodiversity loss, closed and inaccessible landscapes, and greatly increased risk of wild fires. Without consistent policy support these systems will collapse, along with their environmental and social values.

Yet currently Pillar 1 with its "historic" payments in the EU15 is weighted against these systems, while in more marginal regions, many types of extensive pasture composed of shrubs and trees (agro-forestry) are excluded from receiving Direct Payments by ill-conceived CAP rules. Pillar 2 support through Less Favoured Areas and agri-environment payments is playing a crucial role in certain regions where these measures are targeted to support extensive farming, but the use of these measures is highly inconsistent when viewed across the EU. There is no EU cohesion to be found. These facts should concern the Commission.

The Commission’s 2011 Consultation Document on CAP reform explicitly recognised many of these issues including:

- The large extent of HNV farming systems in the EU
- The abandonment risk faced specifically by extensive grasslands
- That 65 % of all EU habitat assessments are unfavourable, and generally habitat types associated with agriculture have a worse conservation status than other types [these are all extensive pastures/meadows]

This explicit highlighting of challenges by the Commission raised hopes that CAP reform would bring positive policy improvements for HNV farming and extensive grasslands especially. An improvement in basic economic support is needed to halt the on-going decline in these land uses, as has been emphasised on several occasions by DG ENV and Environment Commissioner Potočnik, by the EEA and by the main environmental NGOs.

Yet the Commission’s published proposals for the CAP offer nothing specific to support HNV farming. There is no mention in the new regulations of the environmental importance of extensive grasslands/pastures and extensive livestock (as highlighted by the EP’s Dess report), which make up the majority of HNV farming in Europe, or of the specific socio-economic challenges faced by these farming systems. The Consultation Document and the weight of recommendations to DG AGRI seem to have been forgotten.

In fact there is nothing concrete in the regulations that can be used to halt the decline of these land uses other than the agri-environment measure that has existed since the 1980s and the Natural Constraints (previously LFA) measure that has existed since the 1970s. But whether to use these measures to support HNV farming depends on national or regional decisions. There is no steer at the EU level. Crucial opportunities have been missed to introduce EU-level requirements for targeting CAP income support, through a system of top-up payments for HNV farming (or simply for extensive grasslands) under Pillar I and under the Natural Constraints measure.
Furthermore, the CAP measures that specifically affect grasslands - permanent pasture definition, cross-compliance, greening criteria - include several aspects that may be directly negative for these farmlands of high nature value.

The attempts at “greening package” for Pillar 1 offer potential for environmental benefits only in intensively farmed landscapes, specifically through the proposed 7% ecological focus area, but are of no benefit whatsoever for HNV farming. The EU priority should be to maintain existing biodiversity values where they exist (which is not just in NATURA sites), but as usual the attention is all on intensive farming.

Overall, the draft regulations fail completely to offer improved targeting of biodiversity concerns in agriculture or to establish sufficient resources for this.

PILLAR 1

The new direct payment system

The new Pillar 1 payment system moves away from the obsolete “historic” model to a payment per hectare that is equal for all farmland across a region. This should shift support in favour of less intensive farming systems that received less support under the historic model - a very positive move. A distinction is made between a “basic payment” and the “greening” payment, but in practice these two elements combine to make up the new direct payment replacing SPS and SAPS.

The potentially positive outcomes of the new system depend entirely on the future implementing rules and Member State implementation decisions. For example, the question of how regions are delineated by Member States will determine how much redistribution of support takes place. The regulation gives considerable flexibility, so that in Spain for example there are discussions about making one “region” for irrigated land, and another “region” for non-irrigated land, with a higher rate of payment for the irrigated region in order to avoid a redistribution of support in favour of lower yielding systems. Similarly, the regionalised payment currently applied in England is far lower for moorland above a certain altitude than for other, more productive farmland. Of course theoretically the regionalisation could be done in a positive way for HNV farming, for example by defining all semi-natural pastures and meadows as a “region”, with a higher payment than other regions, on grounds of lower economic returns from the market of this land.

Then there is the question of what land can be, or will be, included in the new scheme when farmers apply for entitlements (deadline 15th May 2014). In some countries, large areas of farmland that currently are eligible on LPIS are not actually declared by farmers, because they can activate their historic SPS entitlements with a smaller area of land than they farm in reality. This occurs in Spain, especially in areas with extensive common grazings where numbers of claimants are declining. In Navarra for example, of the 321,401 ha of extensive grazing land eligible on LPIS, over 180,000 ha were not declared by graziers for SPS in 2008. Will farmers using this undeclared land be able to claim the new Pillar 1 payment on it? This seems to be permissible under the proposed DP regulation, as we believe it should be in order to reward its continued use, but authorities may look for ways of excluding such land, in order to focus the national envelope on a smaller area of land and thus achieve a higher average payment per hectare.

A theme of the reform debate has been the question of how to focus CAP support on “active” farmers. Article 9 of the DP regulation says that no direct payments shall be granted to a farmer if:
(a) the annual amount of direct payments is less than 5 % of the total receipts they obtained from non-agricultural activities in the most recent fiscal year; or

(b) their agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and they do not carry out on those areas the minimum activity established by Member States

For many small farms, which generally are part time and might fail on criterion (a), these restrictions will not be a problem, as they do not apply if the direct payment in the previous year was less than 5,000 EUR.

For larger farms, the second criterion raises some concerns for pastures under very extensive use. The outcomes will depend entirely on how an “agricultural area considered as mainly areas naturally kept in a state suitable for grazing or cultivation” is defined; and of course on how Member States define “minimum activity”. Potentially, these concepts could work well as a method for excluding land not in active use, but equally they could work very badly. As with so much of the legal proposals, a great deal will depend on the Commission’s implementing rules, when they appear.

On a similar theme, land not really in farming, such as golf courses, is explicitly excluded from the basic payment, as it should be. The regulation stresses that the intention is NOT to exclude small, part-time farms – this affirmation that such farms are indeed real farming is very welcome.

As explained in more detail below, it is also essential to resolve the problem of exclusions from direct payments of extensive pastures due to inappropriate eligibility criteria (shrubs, trees, etc.), otherwise large areas of farmland of high nature value will continue to be excluded from support, and from all the potential good aspects of the new CAP.

The new Permanent Grassland definition

"permanent grassland" means land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that has not been included in the crop rotation of the holding for five years or longer; it may include other species suitable for grazing provided that the grasses and other herbaceous forage remain predominant;

There are some changes from the current CAP definition. Permanent pasture is re-named "permanent grassland", presumably to emphasise that the EC in principle wants support to go to grass pasture and not to shrubby and woody pasture, a prejudice that seems to be based largely on ignorance of just how important such pastures are in some EU regions. However, a new clause is introduced saying that non-herbaceous forage may be present. This encouraging insertion is spoiled by the caveat that grass must be the predominant vegetation.

This can be interpreted in various ways. On the one hand, the EC seems to be recognising that non-herbaceous forage (shrubs, trees) are used legitimately for grazing (or more correctly for browsing), which is a step in the right direction. This should encourage Member States who have tended to exclude pastures with shrubs and trees from Direct Payments to change their approach, and to include them in future. Bulgaria, Sweden and Estonia may now be able bring into Pillar 1 the large of areas of NATURA farmland habitats currently excluded, even though these are genuine farmland in active use by real farmers. Member States that have always included such pastures in the eligible area (France, Spain, UK) might breathe a sigh of relief.
On the other hand, the EC’s insistence that grass should remain predominant has no agronomic or environmental justification. If it is taken with flexibility, there may be no problems, but if applied strictly this clause could still lead to exclusions of perfectly legitimate pastures the grazing/browsing of which is important for ecosystem services. For example, heather moorlands of the UK uplands, and shrub pastures used especially by goats in southern regions of the EU, where grazing plays a vital role in reducing fire risks. The new definition therefore does not remove the present confusion, it simply alters it. A far simpler and more complete solution is to remove the word “herbaceous” from the current definition completely, as it contributes nothing useful.

In EFNCP’s opinion, it is time to get rid of all attempts to define the preferred types of vegetation, numbers of trees, bushes (or blades of grass?) on farmland at the EU level. This approach will never reflect the diversity of EU farmland, and will always tend to create problems for farmers and for national administrations. It is also completely unnecessary. The proposed DP regulation rightly establishes that at least a minimum agricultural activity must be carried out for land to be eligible for support (“carrying out a minimum activity to be established by Member States on agricultural areas naturally kept in a state suitable for grazing or cultivation”). EFNCP believes that minimum activity should be the basic criterion for determining if a pasture is eligible to receive DP, not whether it is grass, shrub or wood pasture, or whether the proportion of grass is as expected by DG AGRI. For details on these issues see http://www.efncp.org/download/Permanent_Pastures_and_Meadows_adapting_CAP_Pillar.pdf

However, the new regulations have muddied this apparently simple approach by introducing a category of land – “agricultural area considered as mainly areas naturally kept in a state suitable for grazing or cultivation” – where the minimum activity requirements do not necessarily apply. The Commission has explained this category in discussions by referring to land grazed by deer, for example. But why such land should be considered eligible for direct payments if there is no farming activity is not clear.

Permanent grassland greening component

Introducing the greening of Pillar 1, the explanatory memorandum to the DP regulation states:

“Thirty percent of direct payments will now be tied to greening, and these payments will ensure that all farms deliver environmental and climate benefits through the retention of soil carbon and grassland habitats associated with permanent pasture, the delivery of water and habitat protection by the establishment of ecological focus areas and improvement of the resilience of soil and ecosystems through crop diversification.”

Under this mechanism, farmers will be required to maintain the extent of permanent grassland existing on their holding in 2014 (although a 5% decline would be allowed). However, the above claims concerning carbon and habitat in relation to permanent pasture have absolutely no foundation, given the proposed definition of permanent grasslands. The farmer who ploughs, reseeds and heavily fertilises a semi-natural permanent grassland - with major release of carbon and destruction of biodiversity - would still comply with the greening measure for permanent grasslands, as long as the parcel stays in grass.

As currently, the proposed definition of permanent grassland makes a major mistake by not excluding grass leys of 1-5 years from the definition. Permanent grassland as defined in the regulation must be out of the crop rotation for five years, but this does not mean that it cannot be reseeded to grass every year. This means that all of the semi-natural pastures and meadows in the EU could be converted into
annual grass leys, with consequent massive carbon release and biodiversity loss, and they would still count as permanent grassland under the CAP. The cross-compliance and greening package “control” of the permanent grassland area is rendered meaningless by this definition and the failure to exclude grass leys.

In addition, there are major discrepancies in the LPIS of many countries, with permanent grasslands wrongly assigned to the temporary grassland or arable codes. This major CAP reform would have been an excellent opportunity to adjust grassland categories and make a clearer division between permanent and temporary grasslands, by putting grasslands reseeded at less than 6 year intervals into the temporary grassland category. Having made this change, the inaccuracies in LPIS could have been corrected.

The 2014 threshold date is the nail in the coffin of the permanent grassland “greening” measure. It is an invitation to farmers to plough up permanent pasture over the next 2 years. But as explained above, the measure is more deeply flawed, and changing the date is not a solution to these flaws. The Commission promises that the issue of reseeding permanent pastures will be addressed through future delegated acts.

Other elements of greening

Farmers shall ensure that at least 7% of their eligible hectares, excluding areas under permanent grassland, is ecological focus area (EFA) such as fallow, terraces, landscape features, buffer strips and afforested areas.

The EFA proposal is positive in principle, although benefits will only occur on intensive farmland. For HNV farmland the measure brings no benefit, as EFA is already far more than 7% on all types of HNV farmland. EFNCP proposes that a Direct Payment premium should be paid in proportion to EFA above the minimum threshold, as a reward and recognition of the value of these elements and an incentive to keep them.

An important problem with the Commission proposals is the counting of afforested land as part of the 7% EFA requirement. Afforestation is a significant threat to remaining patches of semi-natural grassland and policy should be aiming to maintain these patches in their current use, not encouraging their conversion to woodland. This proposal should apply only when the afforested land was previously in arable cropping.

The current wording is made worse by seeming not to include semi-natural grassland as part of EFA – only linear features and land left fallow are mentioned. This could further encourage farmers to plant trees on remaining patches of semi-natural grassland. Semi-natural grassland should be included explicitly in EFA.

Land under permanent pasture is not required to have 7% EFA according to the proposed regulations. This might make sense for permanent grasslands under low-intensity management that are inherently of environmental value, but it makes no sense for permanent pasture as defined in the regulation (see above). Farmland under intensively managed grass should also be required to have 7% EFA.

Another problem is the proposal for organic farms to be exempt from the greening requirements. This proposal shows a worrying lack of knowledge in the Commission about the range of organic farming systems. Whereas in a like-for-like situation, organic farming is generally more favourable for biodiversity than conventional systems, this does not mean that an organic farm automatically retains
permanent pasture and EFA or uses a crop rotation. There are intensive organic systems that retain very little biodiversity value, such as bare-soil horticulture and fruit cropping (e.g. strawberries). **This proposal from the Commission would allow a farmer to convert an area of HNV permanent grassland to intensive organic horticulture, and even to remove all the EFA from the land, while still complying with the greening component.**

**Cross-compliance**

Under the current GAEC regulations Member States must design rules to “ensure a minimum level of maintenance and avoid the deterioration of habitats” including the option to require minimum standards of positive management, such as “minimum livestock stocking rates or/and appropriate regimes”. This is a good option, and EFNCP has proposed that this optional requirement should become obligatory on Member States under the new CAP. In this way, farmers using extensive grasslands would be encouraged to maintain a minimum of grazing activity.

This would fit well with the recommendation from the European Court of Auditors (2011) that: **GAEC standards should require concrete and regular activities to be carried out by farmers for them to receive the full amount of the aid.**

The current option to “require minimum standards of positive management” is removed from the new cross-compliance clauses, although similar wording now appears as part of the definition of agricultural activity and thus of basic eligibility for Direct Payments (see above). It will now be up to Member States to define “minimum activity”. **For permanent pastures, we propose that authorities should include minimum grazing regimes or livestock densities.**

But at the same time, the Commission has removed the crucial requirement to “avoid the deterioration of habitats”. The requirements on landscape and minimum level of maintenance are now reduced to meaning “retention of landscape features”, whereas the current GAEC requirement to avoid habitat deterioration applies to farmland generally, and in the case of permanent pastures would apply to issues such as over-grazing and under-grazing. The Commission argument is that “Member States did not use this option”, so this is why they are getting rid of it. But the Commission is wrong. Some countries do require a minimum livestock density (e.g. Ireland, Bulgaria, Spain), and some explicitly require farmers to avoid deterioration of semi-natural farmland, such as species-rich grassland (e.g. UK).

The reality is that Member States were pushed by the GAEC wording to focus on obligatory standards for “avoiding encroachment of unwanted vegetation on farmland”. This term “unwanted vegetation” (combined with the term “herbaceous” in the permanent pasture definition) has been interpreted in some cases as a blanket assumption that the presence of shrubs on permanent pastures constitutes a breach of GAEC. This makes no sense - many Habitats Directive Annex 1 grasslands are mosaics of herbaceous and woody vegetation by definition.

The new draft regulation removes this requirement on “avoiding unwanted vegetation”, thus hopefully avoiding some of the problems of the past rigid application of rules on the presence of shrubs. But it has been replaced with nothing. **By removing the overarching requirement to avoid the deterioration of habitats, the Commission appears to have given up on any attempts to link direct payments to the appropriate management of permanent pastures. This is a major step backwards in terms of how the CAP treats permanent pastures of environmental value. And the proposals forbid Member States from having GAEC requirements that are not in the EC**
regulation, so countries such as the UK will have to remove their current rules on avoiding habitat deterioration.

The Commission may think that their greening proposal for ecological focus areas somehow replaces the current GAEC theme of avoiding habitat deterioration, but clearly it does not. The greening proposal only requires 7% of a holding to be under EFA, so that any area of semi-natural farmland that is above this threshold and not a linear or point landscape feature (protected by GAEC) would no longer be protected. If it is semi-natural grassland, we have seen already that the permanent pasture greening mechanism is of no use.

In this context, it is worth remembering that the EIA Directive requirements on the deterioration of semi-natural farmland habitats (including semi-natural grasslands) are not included in the cross-compliance SMR (inexplicably) and are applied very weakly in most Member States. There is thus no EU-wide instrument designed to prevent the deterioration due to intensification, inappropriate use or afforestation of semi-natural grasslands. The burden will be carried entirely by agri-environment and NATURA payments.

**Coupled payments**

The option to use coupled payments is reinforced in the new regulations, recognising that total decoupling was never a good idea, as EFNCP has never tired of pointing out. We believe that coupled payments are very necessary in certain situations for maintaining pastoral systems, especially on common land, transhumant systems and landless graziers in parts of southern and eastern Europe especially. The regulation refers to environmental justifications for these payments, which is a welcome change from earlier drafts, and was proposed by EFNCP. In fact we believe maintaining landscape and habitats, and fire prevention, should be main reasons for these payments. There also should be a requirement for maximum stocking density thresholds as a safeguard against problems of overgrazing.

**Small farmers’ scheme**

EFNCP supports some of the principles of the proposals for a simplified payment to small farmers. However, these farmers should not be excluded from cross-compliance requirements, as the Commission intends, as these mechanisms are fundamental to achieving policy goals. The retention of landscape features is particularly important on small farms, as they are often especially rich in such features. The detail of how small farmers are defined will be crucial to avoiding perverse effects from the scheme.

**PILLAR 2 - EAFRD**

For 6 years HNV farming has been an EAFRD priority and many Member States have made progress in identifying and supporting these systems, especially in the past 2 years. Some of the best initiatives for biodiversity under the current EAFRD have taken place under the HNV farming umbrella, for example the HNV grasslands scheme in Romania. It is positive therefore that the priority to support HNV farming is maintained in the EAFRD proposal, although in a slightly changed format. It now appears under Priority 4 as follows:

“restoring, preserving and enhancing ecosystems dependent on agriculture and forestry, with a focus on the following areas:

(a) restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes;
The new EAFRD regulation requires that the next round of RDPs should include a clear analysis of needs on the ground in relation to the 6 EU priorities for rural development, with appropriate measures and resources in response to these identified needs. If robustly applied by Member States and the Commission (a big if?), then any programming region with a significant presence of HNV farming will surely have to include a satisfactory analysis of the needs of these farming types and a suitable response to these needs through the RDP measures.

**Thematic sub-programmes – Article 8**

Member States may include within their RDPs thematic sub-programmes, contributing to EU priorities and aimed to address specific needs identified in the programming area. These sub-programmes should combine a range of measures and may pay a higher rate of aid to beneficiaries. The approach seems ideal for supporting HNV farming systems such as extensive livestock, transhumance or traditional orchards, but unfortunately such themes are not included in the list of suggestions provided. On the other hand, neither are they excluded, so presumably a Member State could propose such sub-programmes if sufficient justification is given.

**Afforestation, agro-forestry, fire prevention – Article 22**

Article 22 provide for aid for afforestation, agro-forestry and fire prevention actions, amongst other things. EU-funded afforestation has already destroyed millions of hectares of semi-natural grassland and HNV farmland over recent decades in Spain, Portugal and Ireland. Now the problem is appearing in Romania and is starting to compete with the agri-environment scheme for HNV grasslands. There is no robust rationale for promoting farmland afforestation across the EU. Forest is expanding naturally through farmland abandonment. It is grassland habitats that are declining, not forest. There must at least be provisions for preventing afforestation of extensive grasslands, as have been introduced to prevent biofuel crops on “highly biodiverse grasslands”. More simply, only arable land and temporary grassland should be eligible for afforestation aid.

The proposal to allow Direct Payments on afforested land is extremely dangerous for the future of Europe’s grassland habitats and should be removed. This gives a powerful incentive to abandon farming activity on extensive pastures and to afforest them instead – farmers thus avoid all the costs, labour and cross-compliance obligations of keeping livestock, but get the same Direct Payment. This will encourage rural depopulation. It is completely incoherent that grazed forest under active farming should be excluded from Direct Payments (as currently occurs because of the eligibility criteria for permanent pasture and the infamous “50 trees rule”), while new forest that is NOT grazed (no active farming) can receive Direct Payments. **Afforested land without grazing use should not be eligible for Direct Payments.**

Support for new agro-forestry is a more positive measure, although of quite marginal interest. It is hard to see why the EU is so keen to provide payments for new agro-forestry, when the millions of hectares of existing agro-forestry are seen as questionable beneficiaries of the CAP by EC auditors, because of rules that are prejudiced against trees and shrubs on farmland (although tree nurseries are eligible for Direct Payments, bizarrely...).
The measure for fire prevention actions must refer to grazing as an efficient fire prevention tool and this approach should be eligible for special support under this measure. DG AGRI seems to be stuck in the old “engineering” approach to fire prevention, involving mechanical clearing of fire breaks and undergrowth. Modern experts recognise the enormous value of grazing systems as a low-cost prevention tool, and southern Europe is scattered with innovative projects using grazing for fire prevention, but these initiatives are invariably starved of funding.

Natural Constraints – Article 46

Article 46 revamps the old LFA scheme, but with minimal changes. The categories are still practically the same. The “specific constraints” category has existed for many years and in some cases has been used quite well, e.g. to support extensive livestock in areas buffering protected areas in Spain. This category can cover up to 10% of a Member State territory, which means that, by combining with mountain and other natural constraint areas, it should be possible to cover all areas of HNV farming. But the draft regulation gives no steer towards supporting particular types of farming in the designated areas. Simply giving money to farms in broad areas with constraints is not efficient or effective targeting. It is the same “blanket” LFA scheme as always. DG AGRI has talked repeatedly of improved targeting of the CAP, so where are the tools for this under the Natural Constraints measure?

Efficient targeting depends on farm-level eligibility criteria, not the broadly defined boundaries of the areas. The draft regulations fail to improve this crude and much-criticised measure. Provision should be made explicitly for targeting these payments on the basis of farm-level eligibility criteria, for example to steer payments (or make higher payments) to HNV farming types within the defined areas.

Expenditure on Agri-environment and Natural Constraints measures

These two measures continue to provide the principal opportunities for supporting HNV farming systems through targeted payments, as has been the case for the past 25 years. Environmental NGOs have called for a minimum of 50% of all RDPs to be spent on agri-environment, to ensure that all regions have ambitious programmes of these measures. The Commission proposals are for a minimum of 25% of EAFRD expenditure under each RDP to be on agri-environment and Natural Constraints measures (combined). This can be seen as an improvement on the current requirement for a minimum 25% expenditure on Axis 2, which includes measures such as farmland afforestation that absorbs a significant part of the budget in some countries. But it is still a very low level of ambition, being far below the current expenditure on agri-environment and LFA in many Member States, and probably not requiring an increase in any country.

Co-operation measure - Article 36

This seems to be inspired by the idea of Local Partnership Projects that EFNCP has proposed as an innovative way to address environmental aims through farmers and NGOs working together in RDP-funded projects. We regard this as a very positive measure with great potential for making a real difference to the future of HNV farming communities at the local level. However, the regulation refers to eligible organisations including “agriculture and food chain, forestry sector and among other actors”. Environmental organisations must be mentioned explicitly here, otherwise they are in danger of not being included as eligible for support by national authorities.

23 November 2011
Response from Smiths Gore. We are one of the UK’s largest firms of rural land managers, managing over 2 million acres of land in England, Scotland and Wales, including responsibility for the direct management of over 120,000 acres of farmland.

Committee questions

Whether the proposal to green direct payments will generate significant environmental benefits

- We are not convinced that the proposals will generate significant environmental benefits; the PBL Netherlands Environmental Assessment Agency report on the proposals (2011) suggests that the proposals might result in 3% increase in species richness on EU farmland by 2030 compared with no greening of the CAP; this does not mean a gain in biodiversity, more a slowing down of loss but this could be achieved more effectively using other measures.
- The measures are passive – they do not require active management, which is generally more beneficial for wildlife – and may, if land under Environmental Stewardship schemes does not count towards the 7% ecological focus area, have unexpected effects in terms of putting farmers off applying for and renewing agri-environment scheme agreements, which contains the more active management measures.
- The crop diversification proposals are unlikely to affect many traditional arable farmers, other than those practising continuous wheat systems or 50:50 wheat: oilseed rape rotations. Livestock farmers growing maize or single arable crops for fodder may be impacted and question whether this was intended.
- The permanent grassland proposal will probably be the most environmentally beneficial. We know that it is already leading to some farmers ploughing up this type of grassland and not intending to establish any more permanent grass. Any benefits from this type of measure are probably already delivered in the UK through the Environmental Impact Regulations that protect permanent grassland.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

- The requirements are likely to reduce it as they will require productive land to be taken out of production. There should be an assessment, at national level, of the benefits of requiring the land to be removed from production if, as is likely, it will not deliver significant biodiversity benefits – so it is a lose – lose scenario.
- A more sensible approach, particularly considering Defra’s policy objectives of sustainable intensification, would be to encourage land to be taken out of production where it can generate environmental benefits, and reward those farmers appropriately. Where land will not generate environmental benefits, the farmers should continue to be expected to comply with agreed standards of good agricultural and environmental management.

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2 This is supported by the PBL analysis
3 Again, this statement is supported by the PBL analysis
The risk of the proposed approach, which as Dacian Ciolos states is to get a pan-Europe approach to environmental protection, is that farmers will not see any environmental benefits being produced and it will make them less likely to enter into more effective schemes, such as Environmental Stewardship, as they will be less convinced that it can produce benefits. The psychology / messages of the proposals are very important and should not be underestimated.

Consistency of the greening proposals with the CAP simplification agenda

- If adopted, the proposals seem simple and could be, in our view, accommodated in the existing IACS.

How greening pillar 1 can be made coherent with agri-environment schemes

- As stated above, this could be a significant issue as the greening proposals could results in farmers not renewing or applying for agri-environment scheme agreements as (i) they will feel that they have taken enough land out of production and (ii) they will not consider that it generates significant environmental benefits.
- The simple way of making them coherent is to allow land under Environmental Stewardship to count towards the ecological focus area.

Recommendations for improving the greening proposals

- As they stand, the proposals are “green wash”. They are very unlikely to generate the environmental benefits wanted and may dissuade farmers from entering into Environmental Stewardship schemes.
- A more effective approach to reducing agriculture’s negative effects on the environment and encouraging more environmentally beneficial behaviour would be:
  - To allow Member States to design their own greening proposals so that they can be tailored to the requirements of individual countries.
  - Use the 30% of direct payments proposed for greening to the Rural Development pillar to increase budgets for agri-environment.

24 November 2011
Friends of the Earth welcomes the opportunity to respond to the EFRA Committee’s inquiry on greening the CAP. The future CAP now being debated provides a chance of transforming the way we produce food, making it part of the solution for the environment rather than part of the problem. Doing so can result in more competitive, resilient farming in Europe that is able to face the significant challenges of producing food using less resources in the future. Greening of Pillar 1 can play a major role in this transformation.

1. **Whether the proposal to green direct payments will generate significant environmental benefits; Recommendations for improving the greening proposals:**

1.1 After 50 years under the CAP Europe is facing significant environmental damage from farming. Farming in Europe today is heavily dependent on fossil fuels and does not adequately take into account the limitations of water and land resources. Farming is one of the primary contributors to biodiversity loss, nitrogen pollution, climate emissions and damage to soil quality across Europe. At the same time Europe is a key driver of deforestation in the tropics through its imports of soy and grain for animal feed. Looking ahead, all these factors combined with rising energy costs, a declining natural resource base and climate change threaten the future of food production.

1.2 We can only address these challenges by taking steps to transform EU farming as a whole in line with environmental realities, rather than only focusing on the small areas covered by Pillar 2 agricultural schemes. Incorporating genuine greening measures in Pillar 1 will ensure that they cover nearly all of EU farmed area. It will also make these environmental measures mandatory rather than voluntary as under Pillar 2 and back these measures with a much larger proportion of CAP funding than Pillar 2 which is vital to ensure enforcement and results. Lastly, greening Pillar 1 sends the signal to EU citizens that the CAP will spend their money delivering real benefits for society as a whole. Surveys across Europe have found that 95% of EU citizens think environmental protection is important while more than 70% think direct payments should be linked to environmental protection in some way.¹ ²

1.3 The European Commission has proposed greening 30% of Pillar 1 payments. The current proposals for greening measures do not go far enough to shift EU farming to sustainable resource base but are a step in the right direction. Greening can deliver vital benefits for both farming and the environment if designed and implemented properly. We believe DEFRA must support the aims of greening from the Commission and engage fully in designing the detail to achieve the

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¹ Special Eurobarometer 368 The Common Agricultural Policy
² Special Eurobarometer 365 Attitudes of European citizens towards the environment
http://ec.europa.eu/agriculture/survey/index_en.htm
most benefits. DEFRA has significant experience and expertise to contribute to the greening debate from many years of research and policy support to ensure effective environmental delivery from farming.

1.4 The evidence to support the need for greening is clear. More than half of Europe is covered by farmland and farming has played a key role in the decline of wildlife across Europe particularly of pollinators. In 2010, the EU failed to meet its target of halting biodiversity decline in Europe and EU leaders have agreed a new 2020 target with agriculture identified as a key area for action.

1.5 Agriculture is also responsible for 9.6% of EU GHG emissions, including 75% of the EU’s nitrous oxide (N2O) emissions from fertiliser applications and 49% of the EU’s methane (CH4) emissions. In particular European livestock farming is a major contributor to global warming. This system is responsible for 85% of total GHG emissions from the agricultural sector or 12.8% of total GHG emissions if land use and land use change emissions are included.

1.6 There are also significant costs from Nitrogen pollution – the European Nitrogen Assessment estimated costs of up to 320 Billion euros from Nitrogen losses to the environment in Europe, and noted the disruption to the nitrogen cycle from the livestock sector.

1.7 The Commission proposes 3 types of greening measures – 7% ecological focus areas, crop diversification and maintaining grasslands. All these 3 measures have the potential to address the impacts outlined above but will be significantly more effective if they are strengthened. There must be a clear penalty scheme for non-compliance and greening must be mandatory for all farmers for whom the measure can be applicable, rather than for farms where greening measures are 'suitable' as in the current text.

1.8 **Crop diversification**: This is a key greening measure that must be strengthened to be a requirement for mandatory crop rotations including legumes. 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 key role in reducing Europe’s imports of proteins from tropical areas and related deforestation, emissions and loss of global biodiversity hotspots.

1.9 Crop rotation builds good soil structure, increases organic matter and water provision, resulting in a higher yield. Crop rotation, especially performed with nitrogen-fixating rotation crops, can

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reduce the input of fertilizers and so reduce pollution by nitrogen; a high nitrogen-supply has been found to contribute to soil organic matter depletion pointing to the role of high N-fertilizer use as a reason for carbon depletion. Crop rotation, especially combined with conservation tillage, will lead to higher soil-carbon content and so contribute to combating climate change.

1.10 Crop rotations with cover crops can also provide extra cash crops for farms. The European Commission found that some farmers practice rotations for the benefits to extra income and soils but despite existing scientific evidence on the benefits many farmers continue to practice simplified rotations as it tends to be economically safer and agronomically feasible in most cases. A study by the European Commission aimed at providing as complete and accurate a picture as possible of crop rotation practices in the European Union and their environmental impacts found that diversified multi annual crop rotations of more than 3 botanical families have multiple environmental as well as agronomic benefits. The study recommended implementing multiple measures to boost crop rotations across the EU. Therefore it is clear that crop rotations can be a win-win measure for both farmers and the environment.

1.11 Crop rotations with legumes will also play a key role in reducing Europe’s impact on deforestation, climate emissions and loss of biodiversity arising from our imports of soy, by providing a reliable supply of alternative proteins for animal feed. Research conducted by Friends of the Earth with stakeholders in the livestock and feed sector showed that a major barrier to farmers using more European protein crops is a lack of adequate and sustained supply. With global animal feed prices rapidly increasing, it is essential that this round of CAP reform kick starts the European market for proteins.

1.12 **Maintaining grasslands:** Grassland are a part of High Nature Value farming systems which are crucial for biodiversity and for tackling other environmental problems. They are, typically, extensive grazing systems or systems with closed cycles so that farmers feed their animals from sustainably locally-produced feed without relying on imported South American soy. High Nature Value farming systems are threatened by abandonment and intensification. Focused support through the CAP is required if they are to survive and so continue providing these benefits. In particular, permanent, extensively-managed pastures are essential for the long-term sustainability of food production, biodiversity conservation, water quality and resilience to climate change. Payments for grasslands in greening must be sufficient to incentivise farmers to continue to farm semi-natural grassland systems or move towards well-managed

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pasture/grassland systems. Crucially, cut-off dates for the payment must be set in the past, in order not to trigger a wave of pasture destruction at the release of the proposal.

1.13 Extensive grassland livestock production has been found to act as a net carbon sink while research by the European Commission has found that ‘Generally intensive systems create less methane and N2O emissions than extensive ones, but this compensated by higher emissions from land use and land use change. The lowest emissions are created by the extensive grassland system.” and

‘Finally, high CO2 emissions indicate a strong dependency on feed imports and, in general, feed crops, and a high use of mineral fertilizers for feed production.”

1.14 The graph below shows the global mitigation (decrease in carbon emissions) potential through agriculture. It shows that the mitigation potential from grassland management and restoration of cultivated organic soils is many times that of methane reductions from grazing livestock. Yet there is little focus on grassland management or restoring soils and excessive focus on reduction of methane from grazing livestock in climate mitigation discussions. A greening measure on crop rotation can play a key role in climate mitigation potential of agriculture.


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9 Sousanna et al Animal (2010), 4:3, pp 334–350, ’Mitigating the greenhouse gas balance of ruminant production systems through carbon sequestration in grasslands

10 Evaluation of the livestock sector's contribution to the EU greenhouse gas emissions JRC 2010
In addition, payment schemes must be underpinned by an effective cross compliance regime to ensure a minimum level of environmental protection. Improved cross compliance requirements, along with proposed greening measures, must deliver an improved environmental baseline upon which more targeted and ambitious schemes under Pillar 2 can operate. There must be sufficient funding attached to environmental schemes, farmers must be offered adequate levels of support and advice and suitable sanctions must be in place for those who do not manage their land sustainably.

2. The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

2.1 Defra must not fall into the trap of assuming that a global food crises requires more food production in Europe. 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".\(^\text{11}\) Therefore arguments that greening measures will reduce EU food production and therefore impact food security must be closely examined. Several analyses have shown that the best way to ensure the poor and hungry are fed is to re-localise food production in developing countries with a focus on smallholder food producers.\(^\text{12}\) In addition studies by UNEP and UNDP have shown that farming in developing countries such as Africa has the potential to double yields if they apply agro-ecological techniques.\(^\text{13}\) The UN Special Rapporteur also notes that current discussions on the need for EU to increase food production obfuscates the impact of western consumption patterns on the global equation. Nearly half of the world’s cereal production is used to produce animal feed, and by mid-century, 50 per cent of total cereal production may have to go to increasing meat production. Reducing losses and waste in food chains, as recommended by the European Parliament, together with a reallocation of cereals used in animal feed to human consumption, including through a broader promotion of diets that better balance proteins from plant and animal origins, could go a long way towards meeting the increased needs.\(^\text{14}\)

\(^\text{14}\) 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
2.2 On the other hand 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 do 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”. Therefore it is clear that we cannot achieve global food security without urgently tackling the impacts of EU agriculture on the environment and moving to farming systems that recycle and renew resources. Effective greening measures such as crop rotations are steps towards this.

2.3 While the EU is a major agricultural exporter, it is also the world's largest importer of agricultural products which has knock on impacts for other countries food security. Importing agricultural commodities into the EU increases pressure on the natural resources of developing countries, and competition for land and water resources between large producers, who have access to export markets, and small-scale farmers. It also encourages developing countries to maintain export-led agricultural policies, at the expense of strengthening local and regional markets that could provide major benefits for the poorest farmers, as well as ensuring access to food for local communities, including fresher and more nutritious food for urban populations.

2.4 This is exemplified by the EU’s imports of soy protein to feed its factory farms. The EU is heavily dependent on soy from abroad using about 20 million hectares of land for its imports. In countries exporting soy to the EU, staple food crop production has fallen, displaced by soy resulting in food insecurity. Soy monocultures have also resulted in eviction of small scale farmers and local food systems as well as rural poverty and unemployment. Competitiveness considerations must include impacts on the environment and diversification of crop production in the EU to increase EU self-sufficiency overall rather than simply increasing productivity per labour unit of existing monocultures.

3. **Consistency of the greening proposals with the CAP simplification agenda;**

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18 What’s feeding our food? The environmental and social impacts of the livestock sector, Friends of the Earth 2008 http://www.foe.co.uk/resource/briefings/livestock_impacts.pdf
3.1 Much of the criticism of complexity and burdens from greening measures have been based on assumptions about the way the detail will be implemented rather than clearly identified problems due to lack of detailed information in the European Commission proposals. Crop diversification is criticized for not being applicable to all farms and for penalizing mixed farming systems. Yet there are implementation methods that can deal with these issues, for example in ensuring the way crops are defined includes the concerns of mixed farming systems. Crop rotations would have more benefits and would be easier for farmers to implement. Despite being a multi-annual measure they could be monitored annually for example by farmers delivering cropping plans that are subject to randomized inspection. Crop rotations are already partly included in keeping land in Good Environmental and Agricultural Condition as part of current Pillar 1 cross compliance measures. Simplification must not be used as an excuse for inaction or for maintaining the status quo in environmentally damaging farming, especially where the imperative for action is high. It is also vital that greening is strong enough to deliver benefits that outweigh pressure to simplify the CAP and DEFRA must play a role in this.

4. **How greening pillar 1 can be made coherent with agri-environment schemes**

4.1 As mentioned in section 1 there are particular benefits of including environmental and resource management measures into Pillar 1 including enforcement, their mandatory nature and far greater coverage of farmed area. However these cannot be a substitute for more in depth, tailored and managed environmental measures under Pillar 2 agri-environmental schemes. Greening Pillar 1 must be aimed at improving baseline environmental performance of all EU farms which enables Pillar 2 measures to have more demanding outcomes. Greening can free up measures and resources under Pillar 2 that are currently trying to improve baseline performance and these can be used very effectively for new measures aimed at improving long term resource management. For example, improving nutrient balance on farms especially livestock farms using tools that include calculations of nutrient imports through animal feed.

4.2 However for Pillar 2 to be effective the budget within it for agri-environmental measures must be strengthened. There must not be an option to use all funds from Pillar 2 for ‘competitiveness’ measures or any options for reverse modulation ie transferring money from Pillar 2 to Pillar 1 as currently proposed. There must also be ring fenced spending for agri-environment schemes under the Pillar 2 menu of options. With these issues taken into account, greening and agri-environment schemes can complement each other successfully.

5. **Other elements of the CAP proposals**

5.1 **Capping**: The proposals from the Commission to cap payments to large farms (taking into account employment on farm and environmental performance) have been criticized as being
unworkable and penalizing efficient farms. However for the reasons below we believe capping is a welcome move and can be made workable.

5.2 The current system of allocating direct payments creates many unwanted outcomes such as subsidy millionaires which is a major reason for public distrust in the CAP. Historically, the Common Agricultural Policy has supported the growth in size of farming enterprises so as to improve their economic efficiency. Current methods of SPS payments calculated per hectare, favour larger farms and promote concentration of holding with increased capitalization and less labour. Today the context of CAP reform is very different from before with many environmental problems arising as a consequence of industrialization of agriculture with low labour which has lead to simplification of rotation cropping, the removal of hedgerows, and levelling of slopes. Such factors have impacted agricultural ecosystems, and consequently the environment as a whole, through soil erosion, diminished biodiversity, leaching and eutrophication.

5.3 Jobs lost today in farming are not easily absorbed by other sectors, be it in industry or services. In the current context of rising unemployment, the dwindling numbers of farms and full-time jobs are creating acute employment problems. Therefore rural exodus and abandonment of the countryside are major problems in many parts of Europe and there is an urgent need to create more jobs in farming. Contract workers are seasonal and not guaranteed; in addition there are many problems with labour conditions for contract workers in agriculture many of whom are migrants. SPS payments more closely linked to employment rather than land area could be a way to overcome this. Therefore DEFRA must engage with discussions on how to implement capping and make it least burdensome, for example by collecting data on employment and salaries only for those farms that would reach the capping limit rather than all farms.

5.4 Small farms payment: Small farms in Europe and the UK are most likely to be farming High Nature Value farms and in areas with natural constraints. Many of them operate at the brink of viability despite provide beneficial social and environmental outcomes such as landscapes, carbon storage from grazing livestock or maintaining rare breeds. Yet they receive the least support from the CAP. Therefore this measure is welcome but the payment must be enough to keep them in production, which is not the case in the current proposals. Small farmers should be provided with additional incentives for methods of production beneficial for the environment rather than being exempt from all environmental measures. This must be supplemented with extension services for small farmers in Pillar 2.

5.5 Crisis funds for low incomes: The crisis reserve is an ineffective and expensive way to deal with price volatility in the global market. Farmers’ incomes are low due to a number of reasons, including retail concentration and the lack of regulation mechanisms to ensure prices paid to farmers cover costs of production or control overproduction which creates structurally low prices.
With decoupled payments, farmers who are reaping the benefits of high global prices still receive public funding e.g. cereal farmers, while farmers suffering from high input prices and low incomes e.g. livestock farmers do not receive any payments. Effective market regulation mechanisms combined with targeted direct payments can be a much more cost effective way to prevent too low or too high prices. Predictions for the future show that high and volatile commodity prices are here to stay. Therefore the CAP must start implementing measures to control the structural causes of volatility rather than just mitigate its impacts. Risk can be addressed through diversification strategies, such as addressing the imbalance in Europe’s feed self-sufficiency to redress the current state where livestock farmers are at the mercy of global feed prices. It can also be addressed through effective market regulation measures. For example, building food reserves have been identified as an effective way to ensure food security as well as mitigate the impacts of price volatility in the medium term.19

5.6 Risk management tool in Pillar 2: Funding insurance for farmers would only benefit the few farmers who can afford insurance for their production, which in most cases would be the bigger farms. This would also encourage enterprises to sell their production on the stock market and encourage food speculation. Using Pillar 2 funds for risk insurance will also significantly reduce the budget available for agri-environment. Risk must be addressed through diversification strategies, and market regulation in Pillar 1.

5.7 Export refunds: As noted in section 2, export refunds have played an extremely destructive role on developing countries food security. The EU committed in the Doha Round of trade negotiations to phase out all export subsidies yet the CAP proposals retain export refunds for a range of products. All export subsidies need to be phased out completely from the CAP 2014.

30 November 2011

19 The High Level Panel of Experts on Food Security and Nutrition – Report to the UN World Committee on Food Security (CFS) ‘Price volatility and food security’ 2011
The Scottish Government welcome this opportunity to present a submission to the Environment, Food and Rural Affairs Committee as part of their Inquiry into the European Commission’s proposals to ‘green’ the Common Agricultural Policy (CAP).

The recent publication of the European Commission’s proposals for the future of the CAP 2014 – 2020, signals the start of formal negotiations to reform the CAP. The CAP plays a vital part in supporting Scotland’s agriculture sector where 85% of our agricultural land is classified as Less Favoured Area (LFA) and two-thirds is suitable only for rough grazing. These reforms will therefore have a major impact on Scotland.

The primary purpose of the CAP must be to encourage food production and with a growing world population and increasing demand for food that purpose has never been more important. The CAP however must also be justifiable in the terms of what else it delivers such as delivering public benefits through environmental objectives.

Scottish Government is keen that the CAP should become greener and deliver more public benefits. However any greening measures must deliver measurable environmental / public benefits without creating unnecessary complexity to the CAP and increasing the administrative burden for farmers and Governments.

**Whether the proposal to green direct payments will generate significant environmental benefits?**

In relation to the 3 measures proposed;

**Crop Diversification**

Scottish Government has issues with the crop diversification proposal which specifies that farmers with over 3 hectares of arable land must grow 3 different crops, each covering between 5 and 70 percent of the arable area. Hill farmers in particular will find this difficult, if not impossible, to comply with. These tend to be livestock farms which comprise mainly permanent pasture but where the farmer often grows a field of spring barley for feed and straw. Poor soil and climatic conditions would make it very difficult to grow three different crops in some areas and it is likely hill farmers would have to stop growing any crop to avoid falling foul of the requirement. That could adversely affect biodiversity in the area. Also, as it stands, it is not clear how the proposal would affect farms with permanent crops such as orchards, nurseries etc. Scotland’s soft fruit farming businesses could be affected by this measure.

**Permanent grassland**

In principle a greening requirement to maintain permanent grassland should be quite straightforward for Scottish farmers. However, the proposed definition of permanent grassland does give us cause for concern. In Scotland, re-seeding grassland often takes place every 7 or 8 years or longer and not every 5 years as outlined in the proposal. It is not clear to us whether the proposal as drafted would accommodate this. Reducing the period between re-seeding grassland in Scotland seems counter to climate change carbon capture objectives and as well as increasing farmers’ costs, there would be an increased administrative burden relating to on-the-spot checks.
The definition of permanent grassland “land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation” poses another problem for Scotland. In Scotland sheep graze on heather in the hills. Heather is not an herbaceous plant and if it were to be excluded and land became ineligible there is a real risk of that land being abandoned which would almost certainly have an adverse impact on biodiversity.

Ecological Focus Areas (EFA)

Ecological Focus Areas have the potential to deliver benefit in terms of the proposed greening measures however there is an issue with the requirement to maintain at least 7% of farmers’ eligible hectares as EFA. Although this 7% includes terraces, landscape features, buffer strips and afforested areas, farmers would be required to declare these annually and administrations would have to carry out additional checks to ensure compliance. Like many other European countries we question whether it is wise to take land out of production at a time when global food security is such a high priority.

General points

Greening should be seen in the context of the overall shape of the future CAP and should not be dealt with in isolation as an issue relating to Pillar 1 Direct Payments. Greening direct payments has the potential to generate significant environmental benefit if properly targeted towards meeting the objectives of Water Framework Directive, Nitrates Directive, Habitats Directive and Climate Change. The Pillar1 greening proposals are also likely to provide more public good than voluntary measures.

Good management would be required to ensure payments are not made for little gain: i.e. land managers claiming for Ecological Focus Areas (EFAs) which provide no real benefits. Measures such as riparian buffer areas or uncultivated field margins are likely to provide the most environmental benefit.

In general however it is not clear that the greening proposals as currently framed will bring the hoped for increase in environmental benefits. In addition, compliance with the measures will increase costs and bureaucracy for farmers and administrations. There needs to be a balance between benefits and costs. In order to find this balance we need to ensure there is sufficient flexibility in the rules to allow Member States and regions to tailor the greening measures to their particular circumstances.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry.

It could be argued that properly planned and managed EFAs should have only a modest impact on food production or competitiveness. It is difficult to quantify what effect other greening measures would have without analysis of measure against farm type.

The crop rotation and permanent grassland issues described in the answer to the previous question could present major problems to Scotland’s upland livestock farmers. These upland farms are vital to Scotland’s livestock industry as they supply much of the livestock for finishing on the better quality land. Any loss of farming in these areas could have a negative impact on the whole livestock sector and would affect both food production and the competitiveness of the agricultural industry in Scotland.
Consistency of the greening proposals with CAP simplification agenda.

Whilst there is an environmental argument that the objectives of greening direct payments should not be compromised in meeting the simplification agenda, the true cost of implementing the proposed measures must be borne in mind.

There is general agreement that the CAP needs to become greener. However it is important that any greening measures must deliver clear and measurable environmental / public benefits without creating unnecessary complexity and increasing the administrative burden for farmers and Governments.

The proposals as framed do not meet that criteria, they appear overly complex and potentially. Not only would this impact on farmers it would require administrations to carry out additional checks to ensure compliance.

How greening pillar1 can be made more coherent with agri environment schemes.

The proposals should enable Member States to build on the environmental measures supported in the current Rural Development Proposals. Greening measures should used to set a baseline on which agri environment measures can build to provide additional benefit.

Provision of advisory services could play a vital role in linking pillar1 and agri-environment measures to help meet the requirement in CAP reform, helping beneficiaries to become more aware of the relationship between agricultural practices and management of farms on the one hand, and standards relating to the environment on the other. However this might use resources from Pillar 2 and reduce the available funding for other measures.

Recommendations for improving the greening proposals.

Clarification is needed from the Commission on certain issues, for example a definition of what ‘eligible’ land the 7% as EFAs will apply to, clarification of how the 5 year re-seeding rule will be implemented.

The proposals should recognise that a one size fits all approach for the whole of Europe will not deliver the public benefits envisaged. There must be flexibility for Member States to take account of particular circumstances such as those described under the crop diversification and permanent grassland issues outlined in the first question. That flexibility would allow Member States/ Regions to target the measures to ensure they deliver most benefit. Such flexibility would also enable Member States to keep the measures as simple as possible.

It is essential that any greening measures strike a balance between delivering public good without being unnecessarily complex and burdensome.

Other elements of the CAP

The draft regulations contain a lot of detail and some important aspects require clarification from the Commission. It is essential however that Scotland receives a fairer allocation of both Pillar 1 and Pillar 2 funding.
Scotland currently receives the 4th lowest Pillar 1 rate per hectare in Europe, at €130/ha it is less than half the EU average of €269/ha. Scotland’s rate is in stark contrast to the rest of the UK where the averages are Wales €247/ha, England €265/ha and NI €339/ha. The combined UK average is €229/ha which is 85% of the EU average meaning the UK is likely to benefit from the Commission’s convergence proposals to help Member States that receive less than 90% of EU Average direct payment per hectare. The proposal recommends that one third of the gap between the Member States average and 90% of the EU average should be closed by 2019. The situation outlined above presents a very strong argument that any uplift the UK receives should come to Scotland to address the very low payment rate.

In terms of Pillar 2 Scotland receives the lowest allocation per hectare in Europe. The total Pillar 2 allocation to Scotland under the Rural Development Regulation 2007-13 amounts to some €360million. This compares to some €2.1 billion allocated to Finland, a country of similar size to Scotland in population terms (5.2 million people) or €2.3 billion allocated to Ireland, a country almost the same size as Scotland in terms of utilisable agriculture area (UAA).

Scottish Government will be holding a consultation on the Commission’s proposals and also discussing them with our future CAP Stakeholder Group, the following is therefore our initial position which may develop over the coming months.

**Direct payments**
- Welcome retention of direct payments.
- Support the convergence proposals to help Member States that receive less than 90% of EU Average direct payment per hectare (Scotland currently receives less than half the EU average).
- Proposals need to provide the flexibility and regionalisation for Scotland to deliver an area based system that meets our needs.

**Active farming**
- Strongly oppose any compulsory rule on farming and non-farming income – Active farming test should be about the way the land is managed not the financial accounts of the claimant.
- Welcome measures to allow Member States/ Regions to set a minimum activity level on areas that naturally meet GAEC requirements without any active land management.

**Coupled payments**
- Support the continued provision for coupled payments – These are vital for Scotland’s beef sector much of which is in the Less Favoured Areas (LFA).
- Would like to see the 5% limit in the draft regulation increased – The Pack Inquiry recommended 15% of the national ceiling should be used for coupled support in Scotland.

**Young Farmers and Small Farmers**
- Simplified scheme for small farmers could be useful in Scotland where we around 1200 farmers that receive €500 or less and around 1400 that receive between €500 - €1000 per year in direct payments.
- Young farmer scheme step in right direction but only applies to those entitled to basic payment, does not address issue of new entrants after 2014.
- Commission’s ideas on new entrants not good enough, must ensure that new entrants since 2004 with no current entitlements and those entering after 2014 are adequately provided for.
• Young and Small Farmers proposals could be useful but should be voluntary.

Capping
• Concerned about Commission’s proposed approach, which could give farmers an incentive to split their business to avoid capping causing unacceptable increases in bureaucracy and administrative burden with lawyers and accountants the main beneficiaries.
• However, need to look at the whole picture, how many businesses will really be affected and what will happen to any money raised.

Areas with Natural Constraints (ANC)
• The proposal for Pillar 1 payments to producers in the LFA/ ANC chimes with the pack Inquiry recommendations – Need to consider whether to use this in Scotland but useful to have this option.

Simplification
• Strongly support aims to simplify the CAP as much as possible – see link to regional flexibility which is key to ensuring that CAP can be tailored to local needs.
• Must ensure that simplification also applies to the control and monitoring regime administrations will need to comply with and that any penalties are proportionate to the seriousness of the issue.

Pillar 2 Rural Development
• Support the proposal to transfer funds from Pillar 1 to Pillar 2 through the flexibility option.
• Flexibility option must not be seen as a substitute for getting a fairer allocation of P2 budget.
• Need flexibility to maximise value for money - Support proposals to remove the current axes.
• Negotiations on proposals likely to take some time before agreement is reached - concerned about new Rural Development programmes being written, approved and ready by 1 Jan 2014.
• Strongly recommend that interim arrangements are considered in the event of programmes not being approved by 1 Jan 2014 to avoid a hiatus.

1 December 2011
Executive Summary

1. Agriculture remains a critical industry and employer in Northern Ireland with a labour force of 46,948 directly involved in agriculture. It contributes £378 million gross value added to the local economy (1.3% overall), more than double the UK average.

2. Some of the environmental aspects of the Pillar I are already achieved through the agri-environment measures of Pillar II – and this is self-evident to anyone who cares to visit Northern Ireland.

3. Food security should be at the top of the agenda for CAP reform. If the European Commission does not invest in sustaining its own food production, it leaves the whole European population vulnerable to global food markets. In Northern Ireland, the agri-food sector is central to the economy. It continues to be the biggest contributor to Northern Ireland manufacturing, accounting for 23.8% of the total manufacturing sales in 2010 and increasing turnover by 8.3%; a phenomenal achievement during a recession.

4. There are concerns that the greening measures of permanent pasture, crop diversification and 7% for ecological focus area will increase bureaucracy, encourage farmers out of farming and reduce food production & competitiveness as well as having a detrimental effect on the wider agri-food sector.

5. The definitions in the draft proposals present challenges and could be deemed to be unworkable. The Committee is concerned as to whether robust and workable definitions of an “active farmer”, “small farmer”, “agricultural activity” and “permanent pasture” can be formulated. The definition of ‘young farmer’ is also a cause for concern. There should be a platform for each Member State to define these themselves and, as is the case within the UK, regional flexibility should be key.

6. There are concerns in Northern Ireland that soils will be designated as carbon rich and if this is labeled as permanent pasture in the reference year of 2014, it will not be ploughed, thus negatively impacting on reseeding of pasture.

7. Greening measures could potentially decrease the diversity of agriculture in Northern Ireland.

8. Greening proposals, as they stand, do not meet the simplification agenda but may rather increase the burden on paying agents and farmers alike. Increased bureaucracy may encourage farmers out of the industry. Older farmers would be particularly vulnerable to this with the effect that a significant skill base in Northern Ireland could potentially be lost forever.

9. There is a real risk that the control and verification of poorly defined greening actions could overload paying agents and cause them to be susceptible to European Commission non-compliance fines.

10. The UK government should seek to negotiate a greater share of the rural development budget and allocate this to the regions as an acknowledgement of the different requirements of Northern Ireland.
compared to England. Furthermore, any new rural development programme must address the overall needs of rural communities, especially given the demographic trends in Northern Ireland – referenced, for example, at paragraph 8, above.

Introduction

1. The Committee is concerned that the ‘greening’ component lacks innovation and requires further work to safeguard both the agri-sector and the environment. However, Pillar I already delivers very significantly on the green agenda. The Committee is concerned that the ‘greening issue’ will make CAP an environmental policy rather than a policy to support production and maintain a viable agri-industry in Northern Ireland. It could be argued that farming and active land management have created Northern Ireland’s current landscapes and habitats. Pillar II agri-environment measures build on, and secure, what is already there. This message needs to be better recognised and articulated. The Committee acknowledges the European Commission’s motivation for seeking to green Pillar I.

2. On Food Security, the Committee believes that Europe needs to play a leadership role by demonstrating that it is prepared to invest in sustaining its own production capacity rather than simply leaving this to others and relying instead on its relative affluence and purchasing power to ensure food availability and security for its citizens. The Committee finds the absence of any specific reference to ‘food security’ a significant omission, and there is a need for a greater Pillar II budget.

Whether the proposal to green direct payments will generate significant environmental benefits

3. The CAP proposals include some simplification of cross-compliance, with the number of Statutory Management Requirements (SMRs) reduced from 18 to 13 and the rules on Good Agricultural and Environmental Condition (GAEC) reduced from 15 to 8. One of the issues of concern is a GAEC standard for protection of wetland and carbon rich soils which includes a ban on first ploughing of land, which has not been defined as arable under EU regulations. There are concerns that all soils in Northern Ireland will be designated as carbon rich, meaning that if land is labelled as permanent pasture in 2014, it cannot be ploughed. It is feared this will have a significant effect on how or whether a farmer will be able to reseed pasture.

4. There are concerns that the crop diversification aspect of the proposals, which will require arable farmers to have three different crops if they are growing more than 3 hectares, may cause
individuals to decide that it is simply not worth the hassle. In Northern Ireland, there could be a situation that through greening measures, the diversity of agriculture will actually be reduced, thus having a negative impact on the environment.

5. The Committee takes the view that considerable work needs to be done to ensure that the greening proposals actually deliver environmental benefits, that they do not hinder the development of a competitive agriculture industry and that if required, at all, they must be capable of being implemented at no additional cost to the farmer, the taxpayer and the European Commission – see below. Any further greening proposals should be incorporated in Pillar II.

The impact of additional greening requirements on food production and the competitiveness of the agricultural industry

6. The Committee believes that any additional greening must be fully justified in terms of the benefits it will deliver when compared with the additional delivery costs for both farmers and administrations. It is important also that greening actions do not undermine the competitiveness of the agricultural sector, particularly in relation to non-EU competitors.

7. The world population has recently passed the seven billion mark. The Committee has concerns that the Commission has not made food production/food security a priority in the CAP proposals.

8. The Committee agrees that Europe needs to play a leadership role by demonstrating that it is prepared to invest in sustaining its own production capacity rather than simply leaving this to others and relying instead on its relative affluence and purchasing power to ensure food availability and security for its citizens. With the current proposals, the Committee is concerned that it will restrict rather than encourage Northern Ireland farmers to reach their potential to produce high quality food. The proposals must ensure that global competitiveness for the European Union farmers is not impeded and the food security of its citizens is not compromised.

9. The Committee is concerned that DEFRA would be content for the budget allocation to be reduced, with most funds being distributed on environmental schemes and not food production or food security.

10. The greening proposals of retaining permanent pasture; crop diversification and an ecological focus area will pose very significant practical difficulties for farmers in Northern Ireland. Crop diversification requires claimants with more than 3 hectares of arable land to cultivate at least three different crops on the land, with no single crop accounting for more than 70% of the land
but no less than 5%. There are fears that this requirement may act as a significant restraint on practical farming. The Committee asks: Why have three crops a year?

11. The requirement that at least 7% of land should have an ecological focus area needs greater clarification. For example, can hedges and watercourses be included in the 7%? There are also concerns that the zoning of 7% of land, which is not permanent pasture, will encourage farmers from outside the EU to use land for more arable productions, thereby disadvantaging Northern Ireland farmers. This designation of land for ‘greening’ will decrease productivity in an already volatile market.

12. There are real concerns that the additional greening requirements will deter farmers from food production, therefore increasing prices and decreasing production in the agri-food sector. (This is a double edged sword as it will be advantageous for producers but puts consumers at a disadvantage.) For example, farmers who currently receive Single Farm Payment may wish to keep their land in grass as to avoid a lot of greening measures. Or a farmer may be reluctant to rent out a field of grass to another farmer to plant a crop in it as this would trigger other ‘greening’ mechanisms and consequences for him. Keeping land for ‘grass’ will have major implications for the structure of the industry in particular the arable sector. This aspect is particular disconcerting for Northern Ireland as arable farming has been on the decline since 1990, as this table illustrates:

<table>
<thead>
<tr>
<th>Crops ('000 Hectares)</th>
<th>1990</th>
<th>2000</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>45.9</td>
<td>40.7</td>
<td>40.4</td>
<td>39.2</td>
<td>37.8</td>
</tr>
<tr>
<td>Potatoes</td>
<td>10.8</td>
<td>6.8</td>
<td>5.1</td>
<td>5.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Horticultural crops</td>
<td>3.4</td>
<td>3.3</td>
<td>3.0</td>
<td>3.0</td>
<td>2.9</td>
</tr>
</tbody>
</table>

13. In Northern Ireland, the agri-food sector is a great aspect to the economy. It continues to be the biggest contributor to Northern Ireland manufacturing accounting for 23.8% of the total manufacturing sales in 2010 and increasing turnover by 8.3%; a phenomenal achievement during a recession.
Consistency of the greening proposals with the CAP simplification agenda.

14. The Committee is concerned that the complex nature of the proposals could lead to more bureaucracy and unnecessary monitoring of farmers. Therefore the reduction in bureaucracy is an absolute must for CAP reform and the Commission must look at simplification as a priority, yet still maintaining appropriate Governance. Calculating the value of the ‘greening element’ is additional bureaucracy and could add delay to the payment process. The move from having a single farm payment to having at least four payments: the basic payment, the greening payment, the new young farmer supplement payment and a small farmer scheme, although the latter two are optional for farmers to join. There is a genuine fear that this will be too cumbersome for some farmers. In addition some of these farmers may already be claiming for LFACA under Pillar II and could also claim for Areas of Natural Constraint under Pillar I in the new proposals. This would be extremely complicated for some.

15. There are concerns that too much red tape is actually taking farmers from carrying out agricultural activity and discouraging a new generation of young farmers from entering the industry. Audit, controls and penalties must be risk-based and made more proportionate, with the total costs and benefits of delivery being of central importance. Regions must have flexibility on implementation details proportionate with the effective delivery of policy aims and financial management.

16. The Committee is also concerned that increased levels of bureaucracy could incline smaller farmers to go out of business. Northern Ireland farmers are typically small farmers, with an average age of 59. The complexities of administration of CAP may lead to older farmers to leaving the industry, thus causing Northern Ireland to lose an important aspect of its skill bases. However simplification needs to be a priority for all farmers across the board.

17. The Commission will be asking local administrations to test ‘active farmers’. This task will be extremely difficult to implement. The Department of Agriculture and Rural Development would be required to not only go out and collect information from individual claimants on receipts from non-agriculture activities but to verify it. For Northern Ireland, there is no readily available or identifiable place to access this information. How will this requirement reduce the red tape and is it the case that by imposing inappropriate levels of bureaucracy, this simply creates an increased demand for inspections and leaves matters open to interpretation, across Member States – which are then second-guessed by bureaucrats in Brussels and which will result in fines and disallowances?

18. It is generally held that up to a third of the agricultural land within Northern Ireland is held under conacre, effectively meaning that there is a landlord who owns, and lets, the land and
tenant farmers who actually farm it. Under the proposed definition of an ‘active’ farmer payments will not be able to be made to applicants for whom the CAP direct payments are less than 5% of total receipts from all non-agricultural activities. Under this criterion many landlords including private individuals, churches and charities may not qualify for Direct payments and this could potentially impact on the good management of farmland as well as raising rents for tenant farmers as landlords seek to meet the shortfall potentially created by not being able to access Direct payments.

19. The Commission proposes that payments would not be made to applicants whose CAP payments are less than 5% of total receipts from all non-agricultural activities in the most recent fiscal year. The Committee considers this proposal to be unworkable.

20. It is absolutely critical that the greening actions and their associated outcomes can be clearly described and explained and are capable of verification through simple and deliverable control procedures. They must not, through ambiguity and complexity, expose farmers and paying agencies to unacceptable and disproportionate audit criticism and sanction. There is a very real risk that the control and verification of poorly defined greening actions could become the over-riding concern of paying agencies, with income support objectives (and consequences) very much diminished. It is legitimate to postulate that the mapping or recording of these areas in order to prove eligibility could present challenges to farmers and the department, alike, along the lines of the recent EU disallowance fines due to the inaccurate recording of eligible land. The 7% of the ecological focus areas would be particular susceptible to these issues, given the potential complexities in actually recording the boundaries of these areas accurately.

How greening pillar 1 can be made coherent with agri-environment schemes

21. The greening proposals of crop diversification and an ecological focus area will pose very significant practical difficulties for certain farmers.

22. The CAP proposals include some simplification of cross-compliance, with the number of Statutory Management Requirements (SMRs) reduced from 18 to 13 and the rules on Good Agricultural and Environmental Condition (GAEC) reduced from 15 to 8. One of the issues of concern is a GAEC standard for protection of wetland and carbon rich soils which includes a ban on first ploughing of land, which has not been defined as arable under EU regulations.

23. The Organic Farming Scheme and The Northern Ireland Countryside Management Scheme are funded under Axis 2 of the Northern Ireland Rural Development Programme (NIRDP). The
Organic Farming Scheme already has a crop rotation component designed to increase soil fertility. The Northern Ireland Countryside Management Scheme also has a component in regards to the protection of wetland, which include fens which are so wet or waterlogged all year that they can only be occasionally grazed. Will these schemes be replaced and will duplication be avoided in any new proposals?

24. In Northern Ireland, there is a significant amount of land farmed by tenants with the result that payments for different schemes are often directed towards different recipients. The European Commission has published critical audit reports on this practise within the UK. Whilst the EC seems to be unclear as to whether it is possible for more than one farmer to meet different scheme eligibility requirements for one piece of land at any one time, this could potentially prove difficult for farmers wishing to participate in other agri-environment schemes and could leave Northern Ireland vulnerable to financial penalty at a time when the block grant from Westminster has been reduced.

Recommendations for improving the greening proposals

Definitions

25. All of the definitions in this section present challenges and could be deemed to be unworkable. The Committee is concerned as to whether robust and workable definitions of an “active farmer”, “small farmer”, “permanent pasture” and “agricultural activity” can be formulated. There should be a platform for each Member State to define these themselves and, as is the case with the UK, provide for some regional flexibility.

Active Farmer

26. It is disappointing that the Commission, despite opposition from the European Parliament and Members States has sought to use its own definition of an “active” farmer. The Committee raises the issue that the definition of “active” farmer varies too widely throughout the European Union and using a single definition cannot truly reflect the variety of culture of farming present in Member States. The Committee believes that, in order to ensure WTO green box compliance, production cannot be a pre-condition to support entitlement. Therefore, in line with the current definition of a farmer, simply maintaining land in GAEC, must qualify an applicant for support as an “active” farmer.
27. The Committee requests that the imposition of an active farmer requirement be left as an option for Member States and regions to apply if they feel it is appropriate and feasible, with the Commission respecting the decision made by these Member States and regions. However in Northern Ireland, this raises additional issues as about a third of land is let as con-acre each year. There are fears that categorising farmers as ‘active’ may mean less availability of con-acre if farmers need to become more active on farms. Rigid enforcement could lead to land dereliction and rising rents for tenant farmers and a potential reduction in food production.

28. Another group that may be negatively impacted by this proposal is the 15,596 part time farmers within Northern Ireland. Whilst many of these individuals may well receive Direct Payments less then €5000, and as a result may not be subject to this regulation, there may still be part time farmers claiming more than this threshold and for whom their Direct Payments are less than 5% of total receipts from all non-agricultural activities. Farmers in this position could well lose a significant income supplement which would have a knock on effect on the viability of the farm, family income and wider rural community.

29. Those farmers who received less than €5000 are deemed to be inactive and would therefore be exempt. For Northern Ireland this would leave around 21,000 applicants, who must be verified as ‘active farmers’ by the Department of Agriculture and Rural Development.

Small Farmer

30. The small farmers’ scheme is optional for farmers, but compulsory for the Department to provide. This will provide a one-off opportunity for small farmers to join the scheme in 2014. It is the Committee’s view that creating a robust definition of a small farmer will be very challenging. Definitions based on, for example, business size or land area will produce different answers, and answers that will vary over time. In particular, the level of direct Pillar I support received, or the number of entitlements held, is not always an accurate indicator of the size of the underlying farm business. “Small” is a relative term, and what might be considered a small farmer in one Member State might be regarded as a hobby farmer in another, and the taxpayer should not be funding hobbies. In addition, a small farm in terms of the UK may be considered extremely large compared to those in some of the countries in eastern Europe.

Permanent Pasture

31. The definition of permanent pasture needs to be clarified. Some EU sources have indicated that permanent pasture is land that has not been cultivated. This is not how farmers in Northern Ireland would define permanent pasture.
Regional Flexibility

32. The Committee considers that a two pillar model for the CAP represents the best way to deal with the complex and diverse challenges facing 27 Member States. However, both Pillar I and Pillar II must provide for significant regional flexibility to address local issues within the overall common policy framework. This is how the CAP can remain relevant to meeting the regional needs and challenges that lie ahead.

Budget

33. The Committee welcomes the initial indications that the budget will not be reduced, but recognises that the wider issues of European and world economics, may mean the issue is re-visited. The Committee wishes to draw attention to the fact that, in the last budget allocation, the United Kingdom failed to negotiate a large enough share of funding to support rural development programmes. Any new rural development programme must address the overall needs of rural communities, especially given the demographic trends in Northern Ireland.

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