



European Forum on Nature Conservation and Pastoralism

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ENLARGED ADVISORY GROUP ON "CAP POST-2013"

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An EFNCP contribution – revised 14th June

EFNCP welcomes the opportunity to present opinions on the future of the CAP and to discuss these at the Enlarged Advisory Committee on 3rd June 2010.

We have joined a coalition of NGOs in presenting a Proposal for a new Common Agricultural Policy¹ that responds to the principle of public money being used only to support the provision of environmental public goods, which can not be achieved through other instruments. In addition to the joint NGO proposal, EFNCP has a number of specific concerns which are summarised in the present paper. These points are complementary to the joint NGO proposal.

Our concerns are about:

- reforming the CAP to make an **efficient** use of public funds under the CAP to pursue a range of EU policy goals **effectively**; the current design of the CAP fails on both counts;
- targeting the public funds of the CAP money on promoting public goods, primarily environmental and wider territorial goals that are not delivered through the market; food security is a bogus argument for blanket income payments to EU farmers;
- recognition of the role of High Nature Value (HNV) farming, and semi-natural grasslands in particular, as central to the public goods delivered by European farming. CAP reform is an opportunity to correct fundamental weaknesses in their current protection under cross-compliance, and to introduce an EU-wide system of support payments to incentivise their maintenance across the Union.

Farm incomes and reasons for supporting them

Several arguments are made for supporting farm incomes, which can be summarised as: that EU farmers need these payments to keep farming and thus to provide Europe with food security; to prevent land abandonment; to conserve the environment and deliver environmental public goods; to help maintain rural populations and vitality; etc.

Farming and rural circumstances vary hugely across the EU. In any given region or district we can find great variations in farmer net incomes and therefore also in the need for income support. Similarly, we can find great differences, even at a relatively local level, in the “public goods” value of farms and in the other aspects referred to above. The threats of land abandonment and loss of rural vitality are not generalised across the EU, they are highly concentrated in certain more marginal areas, that are not efficiently targeted by the Natural Handicap scheme in most regions.

Some farms are much more developed in productivity terms, making far greater use of factors of production and, if they are of sufficient size, may well not need income support from the CAP. Generally, farms that have followed this development path have done so at the expense of environmental public goods. This is not to say that such a farmer has been intentionally degrading the environment, or necessarily breaking any laws, merely that the normal process of agricultural intensification in the rational pursuit of increased productivity and economic viability leads inevitably to the exclusion of habitats and species that are not essential to agricultural production.

¹ A joint submission from BirdLife International, European Environment Bureau, European Forum on Nature Conservation and Pastoralism, International Federation of Organic Agriculture Movements and WWF

So not all farms have the same need for income support to remain viable, and not all farms are inherently able to deliver the same quantity or range of public goods. Taken together, these points add up to fundamental differences in the justification for receiving income support, from one farm to the next. As a general rule, the “historic” system for SPS directs the higher support payments to farms with more productive conditions that are better able to farm for the market, and have least need for income support. Farms with least productive conditions that tend to be inherently more valuable in terms of public goods are generally in receipt of lower SPS payments. This situation represents a massively inefficient use of public funds: the system is not targeted efficiently either as an income support measure or as a public goods support measure.

Even a system of flat-rate income payments cannot be defended for the bulk of support to farming. A significant element of targeting is needed if spending is to be efficient.

Blanket income payments are not a rational or efficient policy response to food security concerns.

The bulk of food production in Europe is from larger, higher productivity farms with good physical conditions for agriculture. These farms are the best placed in the EU to earn their income from the market, precisely through food production. Farms of this type that are not already able to farm without income aid should be able to adapt over time. This greater adaptation to the market was a fundamental rationale behind the 2003 reforms. There is no rational reason to reverse this principle. There is no world food shortage at present, nor is a shortage expected. Access to food is the critical issue in countries with hungry populations, and increased EU production will not solve this problem.

These more productive and competitive farms are not threatened with abandonment. In the very unlikely event that some farmland of this most productive type were abandoned in the EU, environmental benefits probably would outweigh the dis-benefits.

At the other extreme are farms in marginal production conditions (land with physical, geographical and/or structural limitations) that have limited options to become competitive and earn their living mainly from the market. These farms have the most serious income problems. Many HNV farms are in this category – physical conditions have prevented intensification and increased productivity, hence both their continued nature value and viability problems.

The EC-funded MEACAP study showed that farms with low-intensity characteristics fitting the broad criteria of High Nature Value Farming had lower net incomes than non-HNV farms. In many cases, HNV farms had a negative net income if CAP support is excluded, and even in some cases with CAP support included. Such farms are sustained because family farm labour is costed below the legal minimum wage. The MEACAP study shows HNV-type farms receive lower levels of support from the CAP than non-HNV farms, especially from Pillar 1.

Effectively, the CAP is rewarding labour on HNV farming at a far lower rate than it rewards labour on inherently more competitive farms.

HNV-type farms are generally most threatened with abandonment in the EU. And because they are more concentrated in marginal areas, their abandonment is a concern for all of the environmental and territorial reasons referred to above (depending on the area and farming in question) – biodiversity and landscape loss, collapse of rural vitality and culture, increased fire risk, etc.

In between these extremes of high and low competitiveness is a third group of farms that face considerable income problems and require continued support to remain viable at present, but that are inherently less valuable than the HNV farms in terms of public goods due to *relatively* intensive production systems and lack of semi-natural or natural landscape elements. Such farms need transitional support and measures to encourage greater efficiency and improved environmental sustainability.

Differentiating CAP income support payments



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EFNCP favours the long-term provision of income support through the CAP to farms that are in need of support to be viable AND whose continued functioning is beneficial to society through the provision of environmental public goods. This means differentiating between farming situations and types when designing and providing income support.

We believe that flat-rate payments for the bulk of farm-income support, while clearly an improvement on the unsustainable and discredited “historic” basis, cannot be defended as a rational policy. As a system, it reflects neither the realities of farm income needs on the ground, nor the great differences in environmental public goods provision that are inherent in different farming types. It provides no rational criteria for support payments. This is why the joint NGO proposal gives great importance to a second tier of payments above a basic flat-rate payment, targeted at HNV farming and organic farming.

A targeted scheme for HNV farming is essential in order to support the economic viability of farming types that deliver most of the environmental public goods associated with European farming, but that currently are threatened with abandonment or intensification due to the low incomes they currently generate.

At the same time, an HNV farming payment system will provide a direct economic incentive for the maintenance across the EU of the semi-natural elements on farmland that are central to HNV farming, and that cannot be protected effectively through cross-compliance mechanisms alone.

How should payments be targeted at HNV farming? EFNCP believes that an approach based on the delineation of HNV farmland “zones” *alone*, while superficially attractive in its simplicity, has many inherent weaknesses. Such zones are not easily defined. Zoning is not an efficient way, on its own, to target support.

Any geographically designed zone will include wide variations in farming types and practices. The LFA scheme has shown these problems over many years. **It is therefore essential to apply farm-level eligibility criteria** in order to target support to the holdings whose characteristics make them of greater nature value (and if appropriate, that are in greater need of economic support).

Farm level criteria are a far more robust method than zoning. The French Prime Herbagère Agroenvironnementale (PHAE) shows that such an approach can be applied at a national level. While the eligibility criteria and thresholds of PHAE are not exactly as EFNCP would propose for targeting HNV farming, the basic approach is highly appropriate. This national scheme uses farm-level criteria such as proportion of grassland, proportion of biodiversity elements (semi-natural farmland features), plus basic conditions on practices such as livestock densities and input use. In addition, EFNCP believes the principle of capping payments per unit of labour is a sound method of combining a fairer payment distribution with a more efficient use of sparse public money.

The same approach can also be applied, with adaptations, to provide targeted support to HNV farms with an arable and/or permanent crop orientation. Thus the PHAE shows the way forward for a pan-EU support scheme for HNV farming. Criteria would be national and regional, in a common EU frame.

HNV zones may be used in *addition* to farm-level criteria, as way of budgetary and territorial prioritisation, but they do not remove the need for farm-level eligibility criteria to target payments.

We support making income payments to farms in order to prevent abandonment and consequent loss of land-management benefits produced by farming, but this can only be done efficiently by targeting the types of farm that are most in danger of abandonment and whose abandonment is problematic for land management, such as those types highlighted by the MEACAP study. Blanket support for all farmers is not rational or efficient.

Extensive permanent grasslands - central to public goods provision from farming, and a major concern

Grasslands are central to the environmental value of European farmland. They provide highly valued habitats, harbour a huge range of valued biodiversity both above ground and in the soil, store carbon, and act as barriers to forest fires. The farming of most value for biodiversity conservation across Europe is the low-intensity raising of livestock on grasslands that are grazed, browsed, or cut for hay, a fact that is widely supported by the scientific literature.

The term “grasslands” encompasses a very wide range of land-uses, ranging from intensively farmed swards that are frequently reseeded and heavily fertilised, to rough grazings with scrub and trees where management may be limited to occasional extensive grazing. A widely-used definition which captures this full range is: “a terrestrial ecosystem dominated by herbaceous and/or scrub vegetation”. It is important to note that grasslands may also have an open tree canopy.

The environmental value of grasslands depends on where they are (soil type, surrounding landscape, etc.) and above all on how they are managed. At the two extremes described above, intensively managed grassland tends to be highly productive but of minimal environmental value; whereas grassland under the least intensive use is mostly on poor land of low productivity where intensification has not been possible, but environmental values are likely to be very high.

A proportion of permanent grassland used at low intensity is a key feature of most HNV farming systems (this semi-natural element may be provided partly by long fallows in extensive arable systems, or by a semi-natural understorey in HNV permanent crops). Such grassland may dominate the system, or be found in a mosaic with other uses, such as low-intensity cropping.

Therefore Permanent Grasslands (PG) are a key concern to EFNCP. Current CAP definitions and mechanisms for protecting and monitoring PG in the EU are very problematic as they are not focused on the extensive, semi-natural grasslands of most environmental value. CAP reform is an opportunity to put this right.

Permanent Grassland (PG) as defined by CAP rules includes intensively managed grasslands of little environmental value, yet at the same time CAP payment eligibility rules exclude grazing lands with a significant proportion of scrub and tree cover, that often are the grasslands of most environmental value. As a result, the most environmentally-valuable grazing land can be excluded from both PG statistics and from CAP support payments.

The FSS data base explicitly excludes several million hectares of common-grazing land from the PG category, even though this is the main HNV farmland in many regions of the EU.

Thus under the current CAP it is possible for the extent of PG to be statistically stable, while large areas of environmentally valuable grazing land are excluded and abandoned unnoticed, with accompanying losses of biodiversity and landscape, plus increased fire risks. On better land, widespread intensification through five-yearly reseeded and fertilisation can also go unnoticed. The semi-natural spectrum of grassland that can be considered of High Nature Value is thus poorly protected and supported by the CAP.

We believe that providing a system of incentives for maintaining HNV grassland within farms across the EU will be far more effective than any available protection mechanisms. Currently, HNV grasslands can be destroyed or abandoned without authorities or farmers being aware of what has been lost. By providing a system of incentives across the EU, farmers will be encouraged to register HNV grassland on LPIS (Land Parcel Identification System), because they know it will bring them a financial reward. This should be a central element of a support system for HNV farming, as proposed above.

Such a payment system would create a total reverse of the current situation, where cross-compliance effectively places an economic burden on farms that have kept a high proportion of HNV grassland – farmers are told to keep it for its environmental value, but with no specific reward, and are thus tempted to remove such grassland before the authorities are aware of its existence.



Adequate data collection and administration are essential to a public-goods CAP - the importance of IACS-LPIS and FSS

Neither protection nor incentives for HNV farmland and grassland can be implemented effectively without well-designed data and administrations systems. The French PHAE scheme is totally dependent on a reliable LPIS system through which different land uses and farmland elements can be identified at farm and parcel level, and on effective recording of livestock numbers on holdings.

To make differentiated payments on the basis of public goods, it is essential to have this sort of basic information about holdings. LPIS is also crucial for effective cross-compliance implementation and for application of CMEF indicators on HNV farmland. Yet the process of CAP decoupling threatens to dismantle the extremely valuable LPIS.

Maintaining and developing these data systems will allow a more efficient use of public funds and should not be seen as a financial burden. It is an investment in greater efficiency and thus in future savings.

Rural Development targeted at HNV farming

Broad protection and incentives to individual farmers will not be enough to maintain HNV farming in many marginal farming situations, where the social fabric and economic viability for HNV farming is under severe threat. Such areas need a far more pro-active and integrated approach to rural development and specifically to farming strategies to give any hope of a sustainable socio-economic future. In many such areas changes are certain to happen and are necessary to maintain socio-economic standards, but this process can be steered in a way that maintains rather than degrades environmental public goods.

HNV farmers in such situations need to be motivated, encouraged and informed by expert advice from local action groups employing *animateurs*. Experience shows that such an approach can greatly increase the take-up and effectiveness of agri-environment schemes, stimulate marketing initiatives and diversification, draw in other funding and create a critical mass of "belief" in the future that is crucial to sustainability.

Projects exist, e.g. with LIFE and NGO funding, that illustrate the huge benefits for the environment and for social sustainability that can be achieved by this pro-active targeted approach. Future RDPs should give priority to mainstreaming this approach. An example is the ADEPT project in Tarnava Mare, Romania. The annual cost of the project is less than 5 euros per hectare of farmland in this 85,000 hectare Natura 2000 site, which is a very low cost compared with typical agri-environment expenditure, yet the results in terms of maintaining HNV farming within a wider rural development strategy are very strong.

This approach might be developed as special LEADER projects targeting HNV farmers and farming, for example. Central to the approach is for farmers to form associations and to develop common strategies, with external assistance and grant aid, for maintaining and developing HNV farming at the local level to ensure economic and ecological sustainability.

