European Forum on Nature Conservation and Pastoralism

Agenda 2000 and Prospects for the Environment

Report of the seminar organised by the European Forum on Nature Conservation and Pastoralism at COPA, Brussels on 3rd February 1998

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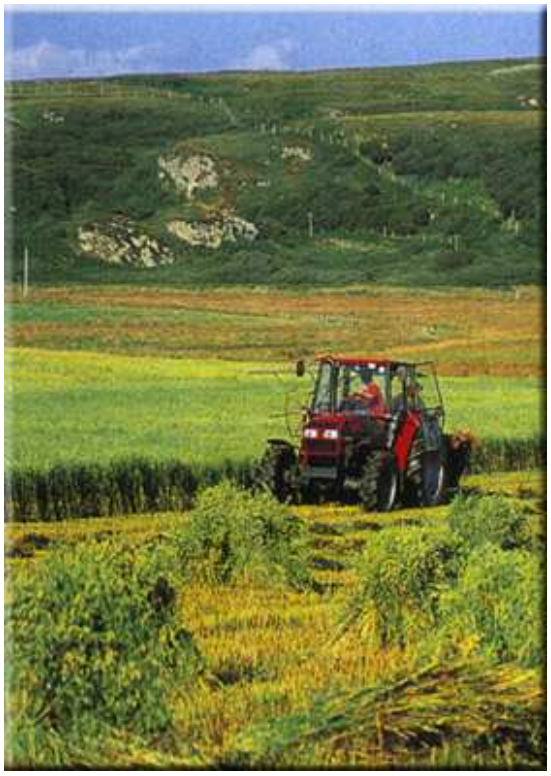

Harvesting oats, Inner Hebrides, Scotland 1996.
Differences in cultivation and harvesting techniques
can provide significant benefits for wildlife. Photo R.Wardle

Acknowledgements

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meeting, and in particular to Natacha Yellachich for her guidance, advice and chairing of the seminar.

The Seminar Report

This report summarises the presentations and some of the main points made during the discussions. However, the views recorded do not necessarily reflect the positions of the organisations represented nor of those supporting the Forum; they are recorded here in the spirit of the constructive debate that took place.

Foreword

On 3rd February 1998, the European Forum on Nature Conservation and Pastoralism held a seminar at the offices of COPA in Brussels. The meeting was attended by a wide range of people from various offices of the European Commission, the governments of several Member States, environmental and agricultural NGOs, and other experts. This booklet summarises the presentations and some of the main points made during the discussions.

During the discussions it became clear that many participants felt that there were potentially some real possibilities, within the Agenda 2000 proposals announced on 16th July, for policies which would have genuine environmental benefits. In particular, the explicit mention of the value of low-input farming strongly suggested that there would be some measures focussed on the Less Favoured Areas (LFA) which recognised the biological importance of the farm management systems in these areas.

On 20th February, the Common Agricultural Policy (CAP) reform draft proposals were published in the press in advance of their release on 18th March. This is not the place to review all the implications of the draft regulation, but it is now clear that there are, indeed, some potentially positive things for the environment. These include, in particular, the changes to Less Favoured Areas, the 2078/92 changes, the section which promotes the adoption and development of rural areas, the link to Structural Funds, and the strong emphasis throughout to coordinate and ensure coherence.

However, at the same time the reforms also generate some potential dangers – for instance for the relationship between environmental NGOs and farmers' organisations. The creation of 'national aid envelopes' gives greater national discretion over aid payments, but there are already signs that there will be vigorous lobbying of national ministries which could tend to polarise viewpoints. For example, in Scotland, farmers' groups are already pushing for a 'labour unit' payment, and these groups tend to see themselves at risk of 'being marginalised' by environmental groups. Even during the seminar, we saw the potential for misunderstanding between environmental NGOs and farmers' organisations – although it was encouraging to see this reduce during the day, as participants recognised that what the other groups were saying was not necessarily what they expected (or feared) they would say. There is a need for both groups to appreciate just how much common ground there is; but also for both to restrain from taking extreme positions.
What is being discussed is the future of Europe's farmland and we should accept that the accent must remain on farming and the farmers – these reforms are not about creating nature reserves. It was recently said that The Burren, in Ireland, was created by farming and that it had survived because the farmers 'had treated the land kindly'. NGOs should perhaps regard these reforms as an opportunity to influence how the incentives to farmers are adjusted so that they can farm with nature rather than against it. From the farmers' perspective (well noted in the contribution from COPA), there will be immense international pressures to reduce support to agriculture over the next few years. The most likely sort of payment which will be acceptable to our trading partners is for providing environmental benefits for the common good, and for which there is no market. The more that we all work together to plan ahead for this, the easier it will be for farmers to anticipate and plan for change. The European model of farming is more likely to be maintained, and to evolve in a positive way, with forward planning, than by short-term reactions to overwhelming

external pressures.

From a scientific perspective, there is a need to be honest about how much we do not understand about the ecological processes on farmland. Also, we should be cautious about pushing too hard for 'integrated rural development', which at the moment is not well defined. It may not necessarily have agricultural land-use at its centre, and it may not maintain the ecological status quo in the most important areas, particularly southern Europe.

There are without doubt some good ideas in Agenda 2000, but there is a danger that they will not be implemented in a sensitive way by Member States. For instance, area payments replacing headage payments will not necessarily be better for the environment – unless they are well designed and well targetted. If they are not, they could result in an acceleration of farm amalgamation, abandonment and even intensification of management. In the end, the polices that are developed from Agenda 2000 will succeed only if they have some clear objectives. There is now a challenge, at the member state and the regional level, to define the broad environmental objectives to guide Rural Development Plans in the right direction – a chance to establish measures to promote the best environmental context and to harmonise this with other measures and actions. The EFNCP hopes to play a part in the development of these objectives and to provide one forum for the debate which will occur over the coming years.

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1. Setting out COPA's position on the development of the CAP

Welcome - Risto Volanen, Secretary General of COPA and COGECA

Agriculture is now entering a 'third wave of modernity'. The first wave took place in the late 19th century, with the abolition of the Corn Laws and the Navigation Act in Britain. This began an era of free trade and a rapid development of agronomic science, involving new technologies and methods in agriculture. A second wave of modernity began after World War II – again based on the ideals of free trade within Europe and bringing further technological advance. This second wave continued until recent years – perhaps until the 1992 CAP reform and the last GATT agreement. The third wave, which is now gathering speed, consists of the rapid adoption of new bio-technologies, globalisation of agriculture and the growing move towards international free trade. Within this context of the globalisation of agriculture, the challenge is to maintain the 'European model of agriculture', combining food production, protection of the environment and social objectives.

The pressures on this European model come from two sides: from the high productivity of farming in the US, and from the low labour costs in Eastern Europe and Asia. Logically this means that, with future worldwide price competition, Europe will be faced with the choice between either the American production structure (industrial agriculture) or Asian farm incomes.

COPA (the European association of farmers' unions and cooperatives) is actively contributing to the debate on a third alternative. This addresses how the European model of family farming can be maintained, to offer European citizens and consumers better and more acceptable quality in terms of food and food production methods, as well as maintaining the rural ecological, social and cultural environment. COPA are keen to collaborate with groups such as those represented at this seminar to work towards achieving this aim, and it is with this in mind that COPA are delighted to be able to provide the venue for today's discussions.

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2 Opening the Seminar on behalf of the host, The World Wide Fund for Nature

Opening address - Natacha Yellachich, WWF

The European Forum for Nature Conservation and Pastoralism (EFNCP) brings together ecologists, nature conservationists, farmers and policy makers, and exists to increase understanding of the high nature conservation and cultural value of certain farming systems and to promote their maintenance. This is clearly closely aligned with the European model of agriculture described by Mr Volanen above.
The aim of this seminar is to examine some of the relationships between the environment and agriculture, particularly in low input farming systems, and discuss the implications of the European Commission's Agenda 2000 proposals for these systems. We will look in detail at policy options for two regimes of the CAP: support for grazing livestock, and the olive oil regime – both of which have been researched by EFNCP.

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3 Setting out the rationale behind the EFNCP and its emphasis on low input farming systems

Introduction – The ecological context of European agriculture

Dr Mike Pienkowski, Director EFNCP

From an historical perspective, agriculture has developed as an environmentally-sustainable land use. From around 5000 bc until this century – almost 7,000 years – farming systems and livestock breeds developed within local environmental conditions. These systems supported rich wildlife populations and some 300 generations of people – about as close to proof of sustainability as you could hope to find! These were generally low input systems, in terms of low levels of input and energy-use per hectare, but whilst outputs per hectare were also generally low, many of the systems were highly efficient in their use of energy and other inputs. In recent times, technology has created the possibility of specialisation and intensification, and policies have encouraged the adoption of these new technologies.

Whilst this technological innovation has been successful – sometimes spectacularly so in terms of increasing output per hectare – this has not been without its cost. Wildlife populations have plummeted and high inputs of chemical fertilisers and pesticides have created health hazards in many aquifers. This can be viewed as a change from working within the natural constraints of the environment, to attempting to operate more independently of the local environment and relying instead on external inputs. As a result, many farming systems have been converting into something which is, actually or potentially, damaging to the environment.

Early approaches to wildlife conservation were largely site-based, attempting to preserve 'habitats', which were remnants of former farming systems, outside their original context. It is now being increasingly recognised, for example, by the Convention on Biological Diversity, that effective conservation requires the maintenance of entire integrated systems. The EFNCP has identified and mapped many of the low input farming systems of particularly high nature value, but their area and number continues to decrease as a result of loss through intensification, abandonment and afforestation.

Current policies tend to exacerbate these problems in a number of ways:

- through the largely product-based nature of agricultural support, which tends to favour single land uses at the expense of biodiversity;
- through the compartmentalisation of decision-making in policies which affect the environment; and
- hrough the failure to take adequate account of the multiple uses of land (a fundamental part of the European model of agriculture) when these policies are being formulated.

The vision of the EFNCP is for a mixed approach to land use, comprising low input farming systems, areas of open mountain and moorland, and relatively intensive farming on the most productive land – whilst continuing to research for new ways of reducing inputs of energy and agrochemicals. In the future, systems should be better adapted to local conditions and take better account of hidden environmental costs, whilst still allowing farmers to make an adequate living.

Returning to the issue of Agenda 2000 and the future of European agricultural policy, it seems clear that eventually GATT pressures will allow support payments to farmers only in relation to real environmental or social benefits. Farmers and environmentalists must work together to develop new models of agriculture and policies which will support these. The need is greater than ever before.

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4 Presenting WWF's position on Agenda 2000

Agenda 2000 – Prognosis for the environment and nature

Hilmar von Munchhaussen, WWF

WWF views as very positive the new wider range of objectives for the CAP, but has specific comments on its proposals for the CAP budget, for the market regimes for agri-environmental measures, for rural development, and for enlargement.

Starting with the CAP budget, WWF notes that the new objectives are not yet backed with detailed financial commitments. We would like to see the budget enlarged for 2078 measures and for the Leader programme, with eventually 25% of the CAP budget being allocated for agri-environmental measures and 50% for sustainable rural development.

On the market regimes, the proposed price drop for cereals is welcomed, as this should lead to lower input use, but we are shocked that Agenda 2000 makes no proposals to phase out compensatory payments over time. These payments should be linked to compliance with basic environmental conditions, and should be phased out over time, with the money reallocated to environmental measures and rural development. We welcome the proposed exclusion of silage maize from the area payments system, as there are major environmental problems associated with this crop, though suspect that this exclusion will have little impact on the area under silage maize because the economics are generally very favourable for producers.

Similarly, the proposed drop in beef support prices is welcomed, but we are again disappointed that there are no plans to phase out payments over time. Also, we would like to see the payments made on a per hectare basis, rather than per head.

We regard the proposed dairy price cut of 10% as far too conservative, noting that price support creates a considerable disincentive for farmers to enter environmental schemes. We would prefer to see an area-based system of support, linked to environmental conditions.

On agri-environmental policy, WWF welcomes the proposed budgetary increase to 2.8 bn ecu, but regards this as still insufficient to address the major environmental concerns, particularly when compared with the much larger sums of money being directed to production-related agricultural support. The environmental benefits of 2078 schemes should be stated much more clearly, as the current inclusion of this scheme within the WTO 'Green box' is surely to be challenged during the next GATT round.
WWF agrees with the emphasis on extensive farming systems within the LFA, but doubts that LFA policy can achieve so much when it must still pull against the full weight of headage payments from the main support regimes.

On rural development policy, we feel that Agenda 2000 supports the sentiment of the Cork Declaration, whilst putting relatively few resources behind it and giving little emphasis to sustainability. Rural development deserves a much greater share of the CAP budget, though rural development can potentially damage the environment as well as enhance it, and so there is a need to build clear environmental objectives into all rural policies.

With regard to eastwards enlargement, the countries of central and eastern Europe are rich in biodiversity yet do not currently take account of this – creating a priority to make environmental protection a central part of agricultural policy from the very first moment that the CAP is adopted by these countries. In the future it is likely that taxpayers in these countries, as in the rest of Europe, are going to be increasingly demanding in what they expect from their tax money. Therefore, it will be essential to deliver clear environmental and social benefits in return for agricultural and rural support. We also note that the proposals earmarking funds for the acceding countries currently make no reference to the environment; this is an important issue which should be taken into account throughout the process of developing new rural infrastructure in central and eastern Europe.

Discussion

The focus of the discussion was on the compensatory payments, with the following points made:

- If no sound justification is made for compensatory payments – such as linking them to environmental protection – then farmers run the risk of losing them altogether in the future
- The main reason that Agenda 2000 offers relatively few additional funds for the environment is that so much of the CAP's resources will be required for compensatory payments.
- The Agenda 2000 proposal that compensatory payments would not be payable in acceding countries for a transitional payment is not sustainable, and will have to be looked at again
- The key to development beyond Agenda 2000 will be Germany, and its position on phasing out or redeploying compensatory payments.

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5 Outlining the effects of grazing systems on the environment, based on work carried out by the EFNCP

The importance of livestock farming for nature – the ecology of pastoralism

Dr Eric Bignal, EFNCP

Environmentalists are now coming to recognise the links between wildlife and farming systems, and to see that many valued habitats can only be maintained by grazing livestock. Some entire farming systems, such as the Spanish Dehesa and Portuguese Montado, have now been listed as biotopes under Annex 1 of the EC Habitats and Species Directive.

For a long time, it was generally believed that most of Europe lay under forest from the end of the last ice age until man's farming activities began to transform the environment. However, this relatively short time span would not be sufficient to allow the evolution of the many species and behaviour patterns found throughout Europe wherever wildlife are adapted to large open areas. A more likely model is that there was a mixture of dense woodland, open plain and intermediate 'dehesa-type' landscapes, maintained in a dynamic equilibrium as changing climate and wildlife numbers caused the relative proportions of these habitats to shift back and forth over the years.

Set against this background, early farming and pastoral systems may have largely worked within the

existing environment, rather than against it, and in many cases would have actually increased biodiversity. It has been estimated that biodiversity in southern England peaked in the mid-18th century, during the 'first wave of modernity', but has since declined as farming systems have become more intensive and specialised.

Several of these original low-input farming systems, high in biodiversity, still survive today. Although there is a great range of systems across Europe they are characterised by:

- cropping activities alongside livestock production, increasing small-scale biodiversity;
- their setting, amongst natural features, such as mountains, semi-deserts and coasts;
- their scale, usually covering extensive areas;
- their central reliance on livestock, whose grazing activities maintain a diverse and spatially and temporally dynamic mix of grasses, herbs and shrubs, critically influenced by stocking density.

Whilst these systems tend to be diverse and sustainable, and although they are maintained by relatively simple and routine management operations, they are generally very complex in their ecology. To illustrate this complexity, I will use the example of the marsh fritillary butterfly Eurodryas aurinia, a listed species found on two types of habitat, dry calcareous grassland and damp neutral or acid grasslands, mostly as a component of wet heathlands and moorlands. The butterfly, which is on the wing for only a few weeks each year, lays its eggs in clusters on the underside of the leaves of devil's-bit scabious Succisa pratensis. Three weeks later the eggs hatch to form colonies of caterpillars. These spin a dense web beneath which they live and feed, moving from one plant to another as each is consumed. In August, a more substantial web is constructed in which the larvae hibernate, emerging the next spring eventually to disperse from the colony, having spent about ten months in the larval stage. The larvae pupate close to the food-plant and hatch about a fortnight later.

As well as their central dependence on the Devil's-bit scabious, the conditions in which the webs survive are very specific. They require grass cover of between 5cm and 14cm in height: sufficiently tall to give some protection from the weather, yet open enough to allow sunlight to penetrate and warm the larvae. These conditions are created and maintained only by grazing cattle, in a delicate balance which must not allow the pasture to become too tall or too short, nor cause too many webs to be lost through the trampling effect of livestock. Experience has shown that it is only possible to conserve the Marsh Fritillary through preserving or recreating the necessary grazing systems.

This is just one example of the intimate link between species conservation and farming systems. It is particularly important to appreciate that the optimum conditions for the larvae in the above example will not occur in the same places each year. The vegetation mosaic is dynamic both in species composition and in physical structure. But the important point is that there is always somewhere where patches of suitable vegetation with the right aspect and moisture content will occur. Because the butterflies are relatively mobile (with a colonisation range of 15-20 kilometres) it is quite appropriate to manage the 'ecological context' and let the butterfly decide what suits it best. The long-term survival of the marsh fritillary will be determined by the degree to which large areas of pasture land continue to be grazed by cattle at a low intensity, rather than by 'conservation management' of small isolated (relict) areas.

There are numerous similar examples, and for many species there are undoubtedly complex requirements which we do not yet understand. Indeed, in many low intensity livestock systems the priority must be to maintain the management status quo.

For the Commission to develop a realistic environmental policy, a detailed typology of farming systems is desperately needed, relating their wildlife and biological attributes to broad management practices. Such a typology should map the distribution of each system in Europe and describe its historical development, and

then attempt to predict its future under different policy options. The better understanding that this would generate would also help to build an effective partnership between farmers and conservationists.

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6 Presenting work carried out by CEAS Consultants and the EFNCP on 'Alternative options for the better integration of environmental concerns into the CAP systems of livestock support'.

Policy options for livestock systems – area payments

Dr Steve Goss, CEAS *The work was commissioned by DGXI, though the views presented are those of the consultants*

Agriculture in Europe has developed under three main influences:

- social and economic change, which has created ever-rising expectations for income and standard of living;
- technological progress, which has allowed steady increases in output per person and per hectare;
- agricultural policy, which has encouraged and assisted the adoption of this technology.

These three influences have pulled in the same direction, with agricultural support almost always causing farming to become more intensive than it would otherwise be. The effects of this on the environment may be positive (e.g. resisting abandonment), negative (e.g. overstocking) or neutral (e.g. on fertile lowland grasslands, which would still be farmed intensively with or without support).

Farming can be regarded as a balance, with farmers first choosing between livestock or arable systems, then choosing their type of livestock, then the specific production system, then the stocking rate and, finally, the output per head. This balance has always been sensitive to local environmental and market conditions but is now heavily affected by the large 'weights' put into the system through price support and headage payments – affecting the choice of livestock systems and encouraging more intensive production. To counter the resulting over-production, a whole set of constraints has been introduced: milk quotas, sheep quotas, suckler cow quotas and holding limits for beef premium payments – but nothing has been done to address the original distortionary effect of the subsidies.

With regard to the environment, two main problems stem from this. Intensification is in many places a major problem in itself. Also, the combined effects of substantial payments and quota limits make the farming systems very resistant to change, creating a considerable obstacle to farmers adopting any kind of environmental measures which would reduce their receipts from price support or headage payments. The money made available to '2078' agri-environmental schemes just cannot compete against the 40 billion ecu per year weight of market support and direct payments.

Hence the problem addressed by this study: how to redeploy the current amount of livestock support so that the overall budget remains unchanged, ensure that there are neither big winners nor big losers amongst farmers, and yet the environment benefits? The proposed answer comprises four elements:

- Zoning.
- Area payments.
- Adjusted forage hectares.
- Tiering.

The EU comprises such wide variations in agricultural and environmental conditions as to render almost meaningless such 'broad brush' environmental measures as the extensification premium or maximum stocking rate limits. Any limits sufficiently high as to be applicable and acceptable to farmers in lowland

northern Europe are completely irrelevant on barren mountains or semi-arid hills, where the highest nature-value farming systems are generally found. Dividing the EU into seven broad zones of Atlantic, Continental, Mediterranean and Alpine (along the lines drawn by the EU Habitats Directive), subdivided into Mountains and Lowlands (along the existing lines of the [mountain] LFAs), would provide a basis for setting stocking rate limits which are more environmentally meaningful. Such zones, perhaps further divided along Member State or regional boundaries, would allow headage payments to be converted into area payments with different rates in each zone, to ensure that the redistributive effects were kept within acceptable limits.

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The rationale behind area payments is simple and threefold.

- Firstly, area payments would influence only the broad use of the land, and would leave farmers free to decide what type and number of stock they keep, allowing them to be much more responsive to environmental conditions and changing weather patterns. In contrast, headage payments create a strong incentive for the farmer to keep specific kinds and numbers of stock, whilst price support encourages farmers to maximise both livestock numbers and output per head.
- Secondly, area payments would address directly the fundamental unit from which environmental goods are produced – land – and allow payment rates to be varied to encourage the production of particular types of environmentally-desirable habitats.
- Thirdly, area payments would benefit the farmer, allowing him to reduce stock numbers and cut costs, or to vary his production system in response to market opportunities. As area payment, a 100 ecu is worth rather more to a farmer than 100 ecu as headage payment, and distinctly more than 100 ecu of price support.

The challenge is how to introduce a system of area payments which is administratively practical and comes acceptably close to the goal of being financially neutral, for both the CAP budget and for individual farmers. The first part of the solution, as indicated above, is to work within agri-ecological zones or regions, so that forage area payments can be related to the amount of headage payment foregone – in the same way that ‘regional reference yields’ were used to convert cereal support price cuts to arable area payments.

However, this approach would still fail to take account of the wide variations in forage productivity – and hence stocking rate and current support entitlement – which can be found on neighbouring farms or even within one farm. A classic example would be a hill farm comprised of a small area of relatively fertile valley land and a large area of rough hill grazing, supporting perhaps just a quarter of the stocking rate in the valley. One flat-rate forage area payment would fail to reflect accurately the big variation in receipts per hectare from headage payments, and so would overcompensate (relative to current subsidies) the producer whose farm comprises mainly hill grazing, at the expense of the farmer who has mainly fertile land.

The proposed solution is to subdivide forage land into a number of broad categories, following as far as possible the distinctions already made on local IACS forms (the ‘Integrated Administration and Control System’, whose forms must be completed by all farmers claiming direct payments), and to vary the payment rates in proportion to the productivity of each forage type. Payment rates would be set in ecu per ‘adjusted forage hectare’ (equivalent to one hectare of permanent pasture in that particular zone). Thus, if the average

productivity of rough grazing within a zone was 40% of that of permanent pasture, then each hectare of rough grazing would count as only 0.4 adjusted forage hectares, and receive 40% of the basic forage area payment.

This would be exactly analogous to the existing system of grazing livestock units, which recognises that you cannot, for example, regard a lamb as equivalent to a dairy cow in terms of its effect on pasture, and so uses a set of coefficients to allow different classes of stock to be compared or combined. Grazing livestock units are a rather approximate instrument, as they consider a small mountain cow yielding 3,000 litres to be equal to a large Holstein giving 9,000 litres. Nonetheless, they are a major improvement on simply counting the total number of animals, and have the great advantage of being simple enough to use for practical policy purposes. A system of adjusted forage hectares would likewise have to be a compromise, with the emphasis on producing something which is administratively usable.

Finally, how would further elements of environmental protection be introduced into the scheme? Our proposal is for three tiers of forage area payments:

- Tier 1: Basic area payments for each type of forage with no special environmental conditions (other than that the forage 'crop' for which the payment is being claimed is actually produced, i.e. if rough grazing were allowed to revert to scrub it would no longer count as rough grazing and so would become ineligible for area payments). This would not be in any sense an environmental payment; it would simply be the existing agricultural support offered by headage payments, distributed on a different basis.
- Tier 2: Supplementary payments for meeting certain 'broad brush' environmental conditions, appropriate to the zone, but administratively practical across large areas. Typical examples would be maximum and minimum stocking rates per adjusted forage hectare, and a maximum and minimum percentage of cattle amongst the grazing livestock units (to encourage the greater diversity of sward heights and habitats which usually results from mixed stocking). The Tier 2 supplement would clearly be a 'Green box' environmental payment, and would be open to all farmers within the zone who wished to comply with the environmental conditions.
- Tier 3: A range of additional supplements for detailed environmental management activities, such as those already offered by local 2078 agri-environmental schemes. These might involve earliest cutting dates, dry stone wall maintenance, or hay meadow re-creation and would typically involve a lot more discussion and monitoring than Tier 2 measures. Not all farmers would want to adapt their farming systems to such an extent, and it is envisaged that Tier 3 measures would be discretionary and targeted at areas of highest nature value. As with Tier 2, these supplements would be clear environmental payments for producing defined environmental goods.

The core element of this approach is that there would be a steady progression from basic environmental support through to the detailed requirements of 2078 measures, without the fundamental conflict of current policy, where headage payments encourage high stocking rates yet environmental schemes usually call for de-stocking.

What would the payment rates be and how would they be funded? Tier 3 relates closely to existing 2078 schemes and these supplements could be funded from the 2078 budget. However, with the intensifying effect of headage payments removed, 2078 schemes would no longer need to fight against this, and so farmers could be expected to enter schemes at lower payment rates than presently required. Thus existing 2078 funds could either be used to encourage a higher uptake, or could be partially diverted to Tier 2.

There are two potential approaches to Tier 1: either to set the area payment so that it offered, on average, 100% compensation for the headage payments withdrawn, or to set it at a lower level (perhaps 80%

compensation) to make additional funds available for Tier 2. Given the assertion that area payments are worth somewhat more to farmers than headage payments, there is some limited scope for setting area payments at less than 100% compensation without actually reducing net farm incomes.

The rates for Tier 2 supplements should be set on a simple market basis: what payment level is required in order to attract a certain target proportion of farmers into the scheme? If the environmental requirements were not too onerous, the majority of farmers might easily qualify for Tier 2 supplements, whilst leaving the more intensive producers in receipt of just Tier 1 payments, pursuing additional returns from the market. The overall budget that should be made available for Tier 2 is open to debate:

- Should funds be taken from Tier 1 through reducing the basic area payments (bringing up certain elements of the cross-compliance debate)?
- Should they be taken from existing 2078 funds (thus reducing the amount of money available for more targeted conservation work)?
- Or should additional budget be made available (raising the question of the overall CAP budgetary ceiling)?

These are political questions, with answers likely to evolve over time as the relative priorities of production and environment change in the different zones. What is clear is that a tiered system of forage area payments would provide a much sounder basis on which agricultural and environmental policy could evolve, a major step forward from the current inherent conflict between headage payments and environmental schemes.

Discussion

Q. Don't these proposals raise the same issue as cross-compliance: that farmers would be asked to accept additional environmental constraints in order to continue receiving their current level of support?
A. That depends on the payment level adopted for Tier 1; if it was set at less than 100% compensation for headage payments withdrawn then, yes, there would be an element of this. If 100% compensation were given at Tier 1 then, no, farmers would not be required to do anything additional in order to continue receiving the same amount of support. Even if no Tier 2 were offered at all, allowing 100% compensation at Tier 1, there would still be environmental advantages from the switch to area payments.

Q. Wouldn't the use of higher area payments for more intensive forage types, such as temporary grassland, encourage further intensification?
A. In some cases biodiversity would be increased by an extension of temporary grassland and forage crops, but where this is not desirable, a system of base areas could be used, as with the arable area payments system.

Q. How does Agenda 2000 relate to these proposals?
A. It makes them even more attractive, for two reasons. Firstly, the proposed reduction of beef price support, with its compensatory increase in headage payments, makes more money available for reallocation to area payments and reduces the intensifying effect of price support. Secondly, the proposed reduction in milk support prices and the introduction for the first time of a dairy cow premium makes a similar approach possible for the dairy sector, allowing the creation of a unified forage area payment, independent of the type of grazing livestock. One of the most intractable elements of the dairy regime has always been its heavy reliance on subsidy by the consumer via price support. The Agenda 2000 proposals now accept that some of this burden should be moved from the consumer to the taxpayer, and thus make reallocation from headage to area payments possible without further increasing the CAP budget.

Q. How would these proposals relate to WTO commitments and the forthcoming GATT round?

A. The Tier 2 and 3 supplements are designed to be specific environmental payments, clearly belonging in the 'Green box'. Tier 1 would just as clearly not belong in the 'Green box' and so would doubtless be challenged in the next GATT round, just as surely as headage payments and arable area payments will be. Two possible approaches could be taken here: to accept the gradual phasing out of Tier 1 payments with reallocation of funds to Tiers 2 and 3 in relation to genuine environmental needs (which might lead to a gradual shift in the balance of funds between zones); or to align forage and arable area payments within zones, so that payments were based on land potential, rather than actual use, and so could be argued to be entirely decoupled and production-neutral.

Q. How have farmers reacted to these proposals, and what potential problems have emerged?
A. The proposals were tested on farmers in six case-study areas (Scottish hill farms for the 'Atlantic mountains' zone; French dairy farms for the 'Atlantic lowlands' zone; Black Forest dairy producers for a mid-altitude 'Continental' zone study; Spanish Dehesa for the 'Mediterranean lowlands' zone; transhumant dairying in the Italian 'Alpine zone' and Greek hill sheep and goat producers for the 'Mediterranean mountains' zone). Reactions were generally positive, with a lot of producers saying that they would welcome the scheme (even though the suggested Tier 1 payment rates would offer only 80% compensation for headage payments withdrawn). The main reservations related to common land and stubble grazings (a major feature of the Greek and Spanish systems), where more work is required to see just how an area-based support system could be implemented, and to certain areas where farmers started off with a strong resistance to any kind of environmental conditions, almost irrespective of the payments on offer.

Q. Haven't these proposals arrived too late to influence Agenda 2000?
A. CAP reform has now become a continuous process of evolution, and the Agenda 2000 proposals certainly leave several questions unanswered, ready for the next set of changes in a few years' time. But there is one important area in which the detailed Agenda 2000 proposals have yet to emerge – the LFAs. The idea of forage area payments has attracted considerable interest, but also many questions about whether and how they could work in practice. One possible way forward would be to allow Member States the option of piloting area payments in some of the LFAs, tackling the practical issues and seeing whether they do in fact bring the promised environmental benefits.

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7 Presenting the results of his research on the ecology of olive groves in Italy

The environmental and nature value of olive production

Dr Francesco Petretti, EFNCP

Olive groves are Europe's oldest farmed habitat, with many trees in Italy dating back five or six centuries and some being a thousand years old. Olive trees thrive in conditions of low rainfall, with long dry summers and mild winters, where the natural vegetation comprises Mediterranean scrubland with holm and cork oaks. A particular feature of olive groves is the many small niches found in the old trees themselves and in the stone walls which support the traditional terraces. These niches harbour a variety of reptiles and invertebrates, and provide nesting sites for several bird species which thrive in the open 'parkland' habitats of old, widely-spaced olive groves. The olives themselves provide an important food resource for overwintering birds, whilst the ground, undisturbed by man for most of the year, supports orchids, ground-nesting birds, and many butterflies which enjoy these open, sunny habitats. Alongside these species live a variety of predators, such as the scops owl, foxes and stoats, together with other mammal species, including badgers, hedgehogs, porcupines and dormice.

Olive systems may be categorised into 'intensive', with over 150 trees per hectare; 'extensive', with 100-150 trees per hectare; 'marginal', with less than 100 trees per hectare; and 'abandoned'. Biodiversity

generally increases as the olive groves become more extensive, until finally scrubbing over of abandoned groves fundamentally changes their open ‘parkland’ habitat. Particularly important for biodiversity are old trees, wide spacings, limited tillage and human activity, as well as an absence of the pesticides used in the more intensive plantations.

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8 Presenting research carried out by EFNCP on environmental considerations for the reform of the CAP olive-oil regime

Policy options for olive cultivation

Guy Beaufoy, EFNCP

The EU produces some 80% of the world output of olive oil, with Spain and Italy alone producing almost 60%, followed by Greece, Portugal and some very localised production in France. Whilst there is some production in places as far afield as California and Argentina, the majority of non-EU production is found around the Mediterranean basin, in Tunisia, Turkey and Syria.

The traditional production systems, which harbour the richest wildlife communities, use occasional cultivation or grazing to control weeds between the trees and, in upland areas, use terracing with supporting walls to reduce soil erosion on slopes. Under more intensive systems, terracing is less usual and the combination of frequent mechanical weed control, thin soils and steep slopes often leads to very serious problems of soil erosion, with figures quoted for losses of up to 80 tonnes of topsoil per hectare per year in parts of Spain. The most modern systems, using newer dwarf varieties at over 200 trees per hectare, tend to be sited on flatter land and to use herbicides for weed control; this reduces the problem of soil erosion but establishes a virtual monoculture with minimal biodiversity. The final stage in intensification is to use irrigation, allowing higher tree densities and increasing yields by almost 50% compared with intensive dryland systems. Irrigation brings with it a new environmental impact, through the exploitation of scarce water resources and the construction of reservoirs to store irrigation water.

CAP support for olive producers is directed through the olive oil regime, and thus excludes that proportion (<10%) of plantations which produce table olives. The regime comprises:

- A standard CAP market regime, with support prices, intervention buying, export refunds and import levies. This generally maintains prices at considerably above world levels, though in recent years droughts in Spain decimated production and raised EU prices to well above the intervention threshold; last year the harvest was good, prices crashed, and intervention buying again became important.
- An additional production subsidy per kilo of oil produced, equivalent in recent years to around 80% of the minimum price.
- A special support mechanism for small producers (producing less than 500kg/year, typically on holdings of less than three hectares), under which the production subsidy is paid in proportion to the number of trees on the holding and the average regional yield for the previous four years. About 70% of producers are estimated to receive this subsidy, illustrating the very small-scale structure of olive production.
- A consumption subsidy of approximately 6 ecu per kilo of oil, paid to the processing and bottling sector.

The combined effect of these measures is to make this one of the most heavily subsidised of all CAP regimes, with support per hectare ranging from around 250 to 1,400 ecu, depending on the intensity of production. As with all sectors supported through the price mechanism, it is the most intensive producers

who receive the majority of the support, with subsidies per hectare some five times higher than those received by traditional producers.

The small-producer mechanism is of considerable social and environmental importance. As the main olive crop occurs every second year (a natural phenomenon accentuated in marginal conditions and by traditional management systems), the small-producer mechanism provides a continuity of income which helps marginal plantations (often traditional and of high natural value) to survive. Without subsidy, traditional extensive systems would cease to be viable, whilst the most intensive dryland systems would still have yielded net incomes of around 900 ecu/ha at the relatively high prices of 1994. Significantly, the benefit of irrigation, in terms of additional net income, would drop from over 500 ecu/ha to less than 100 ecu/ha in the absence of subsidy, suggesting that the CAP olive oil regime must have played a major role in encouraging the adoption of irrigated olive production.

The Commission has produced a paper outlining options for reforming the sector, which proposes abolishing all of the existing support mechanisms and replacing them with an aid per tree, which could be 'modulated' according to yields and/or local social and environmental conditions. The Commission also suggested that environmental cross-compliance should be a feature of the new regime.

The proposal has been effectively blocked by the Spanish government, which proposes instead to maintain price support and the production subsidy whilst removing the small producer mechanism. There has been little progress from this point, and the Agenda 2000 proposals do not address the olive regime, although a new Commission proposal is expected soon.

One of the unfortunate features of the olive oil regime is that it has been subject to considerable amounts of fraud, with sometimes little correlation between the weight of olives delivered to the press and the amount of production subsidy received. Whilst the Commission's proposals would remove this source of fraud, they would face the problem that there are few accurate statistics on the number of olive trees actually in production.

However, the main drawback of the Commission's proposal is that it would introduce potential new distortions in the support system. Olive tree densities vary greatly according to a range of factors, including local planting traditions, climate, soils, etc. The introduction of a payment based on tree numbers would lead to many arbitrary 'winners' and 'losers' amongst producers, whilst potentially encouraging the grubbing-up of ancient, species-rich olive groves in order to plant modern dwarf varieties at higher densities.

Instead, an environmentally benign olive regime could be based on area payments to replace the production subsidy and small-producer mechanism. Initially this area payment could be modulated in proportion to previous yields in order to avoid creating big losers, though, as stated in the original Commission proposals, direct aids 'should be dependent on cultivation methods which respect the environment'. These area payments, whose main justification is to compensate for the removal of production support, should be gradually reduced over time whilst directing an increasing proportion of FEOGA resources to agri-environment area payments (currently under Regulation 2078/92). This would redistribute support in favour of wildlife-rich low intensity systems and encourage practices which benefit the environment, such as terrace maintenance and understorey grazing.

Given the considerable differences in production systems and environmental issues, this policy framework should be developed on a regional basis, supplemented by advisory services to promote efficient, environmentally favourable management practices. Finally, a partial reform, just abolishing the small-producer mechanism, would produce the worst environmental and social outcome, as it would

remove the continuity of income currently provided to small plantations in marginal areas, thus greatly increasing the risk of abandonment.

Discussion

Q. What are the main alternatives to olive production in the more marginal regions?
A. Relatively limited, and generally confined to other tree crops. Most olive production in marginal areas is on small part-time family holdings, and provides a supplement to income derived from a variety of other sources.

Q. Wouldn't a move to area payments create the risk of abandonment, as producers stopped harvesting their olives in the absence of production-related support?
A. This is not likely to occur in the main producing regions but may be a risk in the most marginal, low-yielding districts. As with the proposed forage area payments system, area payments could be made conditional on maintaining a managed olive grove, and if it were allowed to revert to scrub it would no longer qualify for support. If producers were going to the effort of maintaining their olive groves, it is likely that they would continue to harvest the crop in all but the most marginal conditions, especially as harvesting is usually carried out by low opportunity-cost family labour. In extreme years or marginal areas there might be a case for some carefully targeted production support or 'safety net' price support.

Q. Is it possible to develop environmentally benign systems which are still reasonably intensive and profitable?
A. Yes, as long as they are not located on such steep slopes that soil erosion is unavoidable, and by limiting the use of highly toxic and residual pesticides. However, whilst such systems may not cause significant environmental damage, they will also be of very limited natural value, compared with traditional systems.

Other comments made in the discussion were that southern European crops, such as olives, had generally not received the same amount of research and attention as northern European crops, partly because there was not the same degree of public awareness and concern for environmental issues. As well as the problems of soil erosion, pesticide-use and loss of biodiversity, other important issues include the fire risk following abandonment, the use of scarce water resources and the local social significance of olive production. All of these factors required a careful integration of environmental and social concerns into the systems of support for olive production.

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9 Presenting some reactions to Agenda 2000's proposals for rural development measures

Rural development and nature conservation with special attention to LFAs

David Baldock, IEEP

Looking at the overall relationship between rural development and nature conservation, it is clear that rural development could be damaging to conservation, for example where it relies on insensitive infrastructure projects, intensification, inappropriate afforestation and on large-scale land consolidation. However, there are also examples of rural development projects which are supportive of, and complementary to, nature conservation. These include efforts to maintain the viability of high nature value farming systems, to encourage farm networking and cooperation, to develop marketing of green products, appropriate diversification, etc. Many forms of agriculture, which are desirable from a conservation perspective, such as shepherding of sheep and goats, may also be supported by projects to maintain employment in viable rural communities.

Important though low input farming systems are to nature conservation, these farming systems alone will not meet all of society's objectives for the countryside, and so a comprehensive rural policy is required, based on the principle of sustainable development. This sentiment is starting to be echoed by the Commission, as in the Cork Declaration and the commitment to sustainable rural development now incorporated in Article 2 of the Treaty of Rome.
The large majority of high nature value farming systems are found within the Less Favoured Areas (LFA), and thus LFA policy can be one of the important tools for preserving and promoting these systems. However, as 55% of the EU's utilised agricultural area lies within LFAs it certainly cannot be claimed that the entire area is of special nature conservation value, and thus further targeting is required. An additional issue is the different degree of implementation of LFA measures by different Member States, reflecting in part the importance which they attach to these areas and their attitude to national co-financing. On the whole, the northern Member States have implemented this policy more enthusiastically, whilst in Italy, for example, only 9% of farmers in the LFA receive any LFA support payments.

Rural development policy is likely to change significantly in the EU as a result of Agenda 2000. A number of key questions are posed about the way policy will develop, particularly in the LFA and outside of the new Objective 1 and 2 areas. In the LFA it would be helpful to develop a policy for low input farming, but how should we define the boundaries? Are the present boundaries defensible from the environmental point of view? Should farmers within the boundaries be eligible automatically for compensation payments or should they be required to meet certain environmental conditions? The latter is preferable, and there are already policy models introducing basic environmental stipulations, such as prime à l'herbe in France. It would be preferable to move from livestock headage payments to area payments and to link the environmental conditions to the area payments. There may also be opportunities for introducing payments in protected areas, whether designated at EU or national level.

Outside Objectives 1 and 2, it is essential there should be adequate EU funding for rural development initiatives, including agri-environment. The initial sums proposed in Agenda 2000 are relatively small. There will be difficult decisions about the level of FEOGA co-financing rates. It is necessary to maintain at least the present level of co-financing, even in richer regions, for Regulation 2078/92. It is also important to develop ways of integrating rural development, agri-environment and forestry policies within rural programmes, rather than allowing them to develop separately and in parallel. With the withdrawal of ERDF funding for rural development outside Objectives 1 and 2, there are serious questions about the range of activities, particularly non-agricultural activities which could be eligible for FEOGA co-financing. Will there be sufficient funds to encourage market-based initiatives and the legal basis to do so? For Regulation 2078/92, one of the main concerns is that it should remain obligatory in all Member States. Subsidiarity should be maintained as a key principle of agri-environment policy but it should be placed within a coherent EU framework, with an emphasis on transparency, accountability, monitoring and evaluation.

Discussion

Rural policy can be viewed as a triangle, comprising:

- Agricultural policy, with its objectives of food production and farm incomes
- Environmental policy, with its objectives of preserving habitats, species and landscapes
- Rural development policy, with its objectives of providing jobs and maintaining populations.

The effects of any one of these elements on the other two can be negative as well as positive and, just as it has become apparent that agricultural policy does not always favour the environment or support the wider rural economy, so it should not be assumed that rural development will automatically be the panacea for all of the countryside's problems. A clear focus is needed on the full set of objectives for each rural region –

agricultural, environmental and social – with policies as far as possible aiming to address their objectives in a direct and measurable way, rather than relying too much on spin-off benefits (such as assuming that headage payments will automatically protect the environment and maintain rural employment). Once a full set of objectives has been agreed for a rural region, it will be possible to assess more accurately the effects of each rural policy against these objectives, identifying possible areas of synergy, conflict or 'entrenchment'. These are areas where a policy aimed at one objective may not directly oppose another objective, but more subtly reduce the uptake or effectiveness of other policies (as when agricultural support does not damage the environment directly but instead deters farmers from entering environmental schemes because they would lose too much subsidy income).

It is perhaps awareness of such indirect effects which has prompted the growing emphasis on linking environmental and rural development policies. One particular issue is where the proposed integration of environmental objectives into agricultural policies would lead to lower employment or incomes in rural areas. Such a change is likely to be acceptable only if some additional rural development measures are provided to help offset the potential negative effects. Thus the effective integration of agricultural, environmental and rural development policies is clearly the way ahead, and the meeting point for these three different approaches must be a commonly agreed and comprehensive statement of rural policy objectives.

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