

CPRE RESPONSE TO THE 1ST PUBLIC CONSULTATION ON THE 'HEALTH CHECK' OF THE COMMON AGRICULTURAL POLICY

Introduction

1. The Campaign to Protect Rural England (CPRE) has led the debate about the purpose and the future of the English countryside since our foundation in 1926. We regard the policy framework and support systems for agriculture to be central to determining the quality of rural landscapes. CPRE continues to work to influence policy and raise awareness of environmental issues. We are one of the longest established and most respected environmental groups. Our patron is Her Majesty the Queen and we have over 60,000 members and supporters living in England's cities, towns, villages and countryside. We operate through a network of over 200 district groups, a branch in every county, a group in every region and a National Office in London. This makes CPRE a powerful combination of effective local action and strong national campaigning.
2. We have worked with successive UK Governments to ensure that the incomparable quality and environmental assets of the English countryside are retained and enhanced for future generations. We campaign for the more sustainable use of land and other resources. We are a leading non-governmental organisation in the field of planning and the protection of the countryside and the integration of these with land management policy. Our perspective is not influenced by the pressures of land ownership and management as we do not hold land as an organisation.
3. We welcome the opportunity provided by the Directorate General for Agriculture and Rural Development to contribute to the debate on the CAP Health Check. We hope our comments will be useful to the Commission.

Taking stock of the implementation and simplifying the Single Payment Scheme

Simplifying the Single Payment Scheme

With respect to which rules could the SPS be further simplified without negatively affecting the functioning of the system?

4. CPRE would like to make a general comment that relates to many of the issues addressed in this consultation. It is evident that there has often been a time lag between changing environmental, social and economic conditions and the ability of the European Union and its Member States to innovate in terms of a policy response. Although policy making should be guided by evidence, acquired through analysis and research which may take time to provide, we believe a greater degree of flexibility should be built into future policy mechanisms for land management. In the coming decades Member States may need to be able to address more rapidly changing environmental, social and economic circumstances. For example, there may be changes to market conditions due to changes in supply and demand, causing sudden fluctuations in prices for particular commodities brought about by sudden disease outbreaks or climatic events both in the EU and elsewhere. We believe that the flexibility of the EU to create policy and for Member States to implement policy will be essential to meet both existing and future challenges, and particularly to meet those arising as a result of climate change and major shifts in world trade.
5. CPRE believes the most effective way of simplifying the SPS is to deploy a flat rate area payment across the EU. However, we recognise that farming businesses need time to adjust to a new system of payments and so CPRE is supportive of the transitional

approach being taken by the UK Government in England to move payments from an historic basis to a flat rate basis. We believe that this has given farmers time to adjust to the effects of redistribution. CPRE would like to see all Member States paying support to farmers on the basis of the area farmed by 2013.

6. CPRE also takes the view that the principle of establishing a baseline of support through a flat rate area payment will make it easier to adapt the CAP in the future so farmers are fully rewarded for the delivery of a wide range of environmental public goods, as well as meeting the new challenges identified in the Health Check after 2013.

Do you agree that Member States should be allowed to adjust their SPS model towards a more flat rate of support, at national or regional level?

7. Yes. As stated above CPRE agrees that Member States should move towards a flat rate of support. The relationship between payments, the area of land that is farmed and the environmental benefits that are delivered through cross compliance will be clearer to the European taxpayer.

What type of impacts would you expect with the introduction of flatter rates of support for farmers?

8. Flat rate payments will introduce an element of clarity for decisions on any additional supporting mechanisms that are needed for environmental and social reasons for those farming sectors affected by a change in the basis of payments. CPRE recognises that farmers in some sectors and areas could face financial difficulties arising from flat rate area payments. As an example, upland farmers have been reliant on payments based on livestock numbers to remain viable although in some areas such a basis for payments resulted in over-grazing. However, under-grazing is now evident in a number of important habitats in both lowland and upland areas of England¹. Payments from both the Single Payment, National Envelopes and Pillar II mechanisms need to be used in an integrated way to ensure the continued viability of upland farming both for environmental and social purposes to ensure the quality of landscapes and habitats and so that the cohesiveness of upland communities is not lost. Pillar II mechanisms available to upland farmers need to more closely reflect the high value of upland landscapes and their wildlife habitats and the cost of maintaining them.

Cross-Compliance

What would be the potential outcome of maintaining the cross-compliance at its existing standards?

9. Current cross compliance conditions have the potential to make a very modest positive contribution to environmental outcomes. CPRE questions the real substance of these outcomes and believes there is even greater potential to expand cross compliance, through GAEC, to encompass other important features that farmers manage. This will broaden and complete the environmental outcomes provided by cross compliance.² We would identify the following features for inclusion under an extension of GAEC: All traditional field boundaries; historic environment sites that although recorded are not

¹ *England's best wildlife and geological sites - The condition of Sites of Special Scientific Interest in England in 2003* – English Nature - ISBN 1 85716 770 8

² Cumulus Consultants - *Retaining the environmental benefits of set-aside: a policy options paper*. Report for the Land Use Policy Group: Report No. CC-P-447: Date of Issue: 21 June 2007

covered by formal designation and protection; tree lines, veteran trees and ancient woodland; ponds; and, traditional orchards. All of these features deliver multiple public benefits, for the environment and enhancing landscape character but also provide important cultural and historic associations connecting people with the countryside and farming.

10. CPRE continues to believe that a requirement to maintain these features through cross compliance will in the future provide farmers with a reserve of environmental assets that will grow in value as the CAP is further reformed towards the principle of public money provided for the delivery of public goods.

What impacts do you see emerging with the possible addition/deletion of certain legal requirements or GAEC standards?

11. As stated above CPRE would not want to see any weakening of cross compliance standards associated with protecting landscape and habitat, but we would support the introduction of additional features under GAEC. We believe that by increasing the list of features that should be included under cross compliance greater parity will be achieved across the EU as not all features will be found in Member States. CPRE's view is that it is right that the list should reflect the regional distinctiveness of the countryside found across the EU. We would like the Commission to ensure that all Member States take a fully inclusive approach to the number and scope of features included within their GAEC measures. The expansion of GAEC to cover more landscape features combined with an inclusive approach will ensure that more cohesive outcomes are delivered through the implementation of the Single Payment Scheme across the EU.

Partially coupled support

Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option?

12. Yes, because CPRE believes that delaying full decoupling will result in the perpetuation of economic and environmental inequalities across the EU and that Member States should make a transition to fully decoupled payments as soon as possible. Even with a phased approach to a new basis for CAP payments there will remain environmental and socio-economic reasons for supporting particular sectors. Support should be provided for environmental outcomes and targeted at specific sectors until a new era of payments fully adjusted for environmental outcomes is introduced.

Should decoupling be applied in full extension but negative impacts mitigated by alternative flanking measures? In this case, what kind of measures?

13. CPRE believes that full decoupling should be undertaken across all farming sectors across the European Union. However, we recognise that it is also important that where farming sectors provide particular environmental benefits but are experiencing economic difficulties policy measures should be available to ensure these land management functions are maintained. The options at the present time are either to derive these from Pillar II mechanisms or to introduce National Envelopes under Article 69 of the Horizontal Regulation (EC 1782/2003).
14. Although National Envelopes are not currently utilised in England, CPRE believes that economic distortions between farming sectors, caused by fluctuations in the balance of supply and demand in global markets, means that their use should now be re-considered more widely, both in England and across the EU. Having established a transparent basis for payments, through a flat rate payment, it may become desirable to introduce the flexibility to redistribute farm payments between sectors for important

environmental outcomes. For example, from a sector experiencing a high return for its commodities, i.e. arable, but which may consequently create financial difficulties for another sector, i.e. livestock. This is especially important where a decline in livestock farming would damage important habitats and landscapes.

15. It is in the interest of society and the farming industry as a whole to ensure that all farming sectors are thriving to ensure consumers have access to high quality food and that farmers' environmental management capabilities are sustained. However, it is essential that where National Envelopes are used they must be carefully targeted and integrated with rural development measures to avoid duplication. Re-training, marketing initiatives or re-structuring mechanisms should be devised in a way that takes an integrated approach with rural development measures offering more general support while National Envelope measures should be targeted at the needs of a particular sector experiencing economic difficulties but with a vital environmental or socio-economic role. Where more specific environmental outcomes are sought Article 69 may need to be amended, particularly if National Envelopes are to be used to address the new challenges identified in the Health Check.

Are there any sectors where targeted, partially coupled support should remain and which problems do you consider this support to mitigate?

16. CPRE believes that farming sectors associated with providing public benefits which are experiencing economic difficulties will not benefit from partially coupled support as a long term solution because this support will not directly relate to the environmental outcomes that are needed. Therefore, rural development measures and other support mechanisms need to be targeted where evidence exists, or emerges, of the need to support sectors that are essential for delivery of environmental public goods or to maintain the social and economic cohesiveness of rural communities. In the future this support needs to reward the real costs and value of the environmental management function of that farming sector. It is clear that far more research is needed into these costs and the value of the environmental public goods that are being delivered.

Upper and lower limits in support levels

How effective do you think capping will be in addressing the problem of the uneven distribution of payments between the farmers?

What would be in your opinion the advantages and disadvantages between the application of an absolute or progressive way in the introduction upper thresholds in payments?

In the context that a large number of farmers receive significantly low amount of payments, in many cases even below the administrative costs, what potential impacts do you see in the option of adopting a minimum level in payments?

17. CPRE would like to make the following response to the three questions above. If we are to take the view that the Single Payment is paid to farmers for environmental public goods contained within cross compliance requirements the debate concerning capped payments could be said to be irrelevant.
18. Some recipients of large payments made on the basis of historic receipts may be able to afford and undertake extensive environmental management activities, including those that go beyond cross compliance requirements. Other large recipients of payments may only be delivering very minimum environmental outputs required for eligibility for payments. Equally, small farmers may also be only undertaking the minimum of environmental measures, while others are doing much more. CPRE believes the scale of what is being delivered in environmental terms by both small and large farms can be equally important. A small farm may be maintaining a small and rare remnant of a

traditional landscape. While a large farm may be maintaining for example a large network of boundary features that provide a vital connection between areas of habitat for particular species.

19. The introduction of a capping mechanism could penalise both large and small farmers who are delivering important environmental benefits. Moving to flat rate area payments will reduce the inequalities that have arisen as a result of historic receipts for large production volumes or numbers of livestock, often with damaging effects on the environment. Although farmers with large holdings will still receive higher payments this will still be a more equitable situation until the CAP has been given the flexibility to be paid according to the scale and quality of the environmental management that is being undertaken. We suggest that the introduction of a tapered payments system should be examined as this could begin to deal with the economies of scale that can influence the extent of environmental management that takes place at both ends of the scale of land holding size.

Grasping new opportunities and improving market orientation

Cereals Intervention

What do you think is the best way to maintain the safety-net role of intervention for cereals?

What would be the impacts of the extension of the "maize" model to the other feed grains?

What kind of impacts do you see with the creation of an intervention system available only to high quality bread wheat?

20. CPRE believes that intervention mechanisms for arable crops and particularly cereals needs to be considered in the wider context of the changes in dietary patterns in South Asia, with an increasing consumption meat and dairy products, and the growing unpredictability of harvests as a result of climate change, both of which are fuelling rises in prices for cereals. The EU needs to consider to what extent food security needs to become part of future land management policies but most importantly how to ensure there is a balance between priorities for environmental protection and for security of food supplies. The scale of market opportunity presented to European farmers should not make us oblivious to the benefits of responsible farming practices.

Cereals set-aside

Do you consider that abolition of set-aside in the current context of market and policy developments is appropriate?

21. CPRE was very concerned that the decision to set a 0% set aside rate for 2008 was taken without an analysis or consideration of the environmental effects or alternative measures to retain the environment benefits of set aside that have been accrued since its introduction in 1988. We believe there could be serious implications through the loss of both permanent and rotational set aside. Permanent set aside provides extensive areas of important habitat for wildlife, buffers water courses, extends semi-natural habitats, and protects the historic environment and enhances landscape in arable farming areas by adding to the diversity of land use. Rotational set-aside provides feeding areas for farmland bird populations. Set-aside plays an important, if unintended, role in meeting the EU Gothenburg target of halting biodiversity decline by 2010, as well as Water Framework Directive targets for achieving good ecological status in water bodies. Within GAEC cropping intensity is at farmers' discretion and in response to the market. However, the environmental benefits of set aside need to be safeguarded under any new regime.

22. CPRE is seriously concerned that there could be continued loss of the environmental benefits of set aside and believes it should not be abolished without the introduction of a replacement mechanism that retains these benefits. The recent rise in prices for cereal crops makes this need all the more urgent as farmers begin to increase the use of environmentally important marginal land for crop production.

What measures do you consider appropriate in order to maintain environmental benefits associated with set-aside?

23. CPRE believes that a new mandatory mechanism should be introduced that is coordinated with the abolition of set aside that requires each farm holding receiving the Single Farm Payment to designate a percentage of land for environmental measures to protect water bodies from diffuse pollution, retain important wildlife habitat and add to the diversity of the farmed landscape. This could be best accomplished by creating a new cross compliance measure until a new mandatory EU wide requirement is introduced. This would ensure all farms provide some of the environmental benefits previously delivered by set aside. There is an urgent need for an assessment to be made of the amount of land that would be needed on each holding to replicate and enhance the environmental benefits that the considerable public investment in set aside policy has provided since its introduction. A new mandatory requirement will need to designate a percentage of each holding based on an audit of the features on each holding that will replace the environmental benefits provided by permanent and rotational set aside. The differing implications of a new mandatory requirement on arable and livestock farmers will need to be carefully examined before it is introduced.
24. Additionally, the extent of the land management activity required for the particular benefits that set aside has provided for biodiversity means that there may be a need for some of these management activities to be incorporated into existing or new agri-environment measures. Such measures need to be accompanied by an additional transfer of ring-fenced funding from Pillar I to Pillar II to ensure that adequate funding is provided without diminishing existing budgets for agri-environment schemes.

Dairy Quota

In the light of new market opportunities, do you consider that the quota system is still fulfilling its stated objectives?

What benefits and what risks do you see from doing nothing and simply letting the quota regime expire in 2015?

What kind of effects do you see emerging in the case of a gradual phasing-out of quotas through increasing their annual level? What would you propose as an alternative or accompanying transition measure?

25. CPRE would like to make the following response to the three questions above. While we support the move to decouple farm payments from production we believe it is important not to underestimate the importance of the supply of milk products for local food networks based upon high quality, environmentally sustainable production, high animal welfare standards along with the management of the countryside features associated with dairy production. CPRE's report on local food networks, *The Real Choice*³, highlighted the important connection between local food production and the maintenance of the countryside. Those dairy farmers who farm extensively are most

³ *The Real Choice – How local foods can survive the supermarket onslaught* – CPRE June 2006: ISBN 1 902786 84X:

likely to be disadvantaged by removal of quotas, as those who are producing intensively will be able to further increase and intensify production levels with potentially damaging environmental effects. Extensive dairy producers should be made a priority for receipt of support from other policy mechanisms such as rural development measures or from the introduction of National Envelopes.

Other measures of Supply Control

What would be in your opinion the implications from the application of decoupling in those sectors?

Are there any cases where you consider coupled support essential in order to retain regional or economic benefits? If so, how can it be made more efficient and better targeted?

26. In response to the two questions above, as stated in answers previously, CPRE believes that where the viability of farming sectors and their important environmental management functions is threatened by decoupling, other support mechanisms should be deployed, including National Envelopes or by Member States prioritising these sectors for receipt of support from Pillar II measures, including those across the three axes contained within the EAFRD. Support mechanisms should be used that both reward farmers for their environmental management, while stimulating consumer demand by emphasising, (for example through marketing initiatives) the added environmental value associated with particular produce and any higher production standards.

Responding to New Challenges

Managing risk

Do you consider that currently available policy instruments provide adequate coverage to manage price risks? Do you see the need for additional measures you envisage, and if so which ones?

Do you consider that currently available policy instruments provide adequate coverage to manage weather-related or disease-related risks? Do you see the need for additional measures you envisage, and if so which ones?

Do you see scope for the application of EU-wide measures to better address price and production related risks, or should such measures be applied more at the MS and regional level?

27. In response to the three questions above CPRE agrees that EU policy instruments should be developed and funding should be made available to prevent the collapse of particular farming sectors as a result of disease outbreaks, or damage to crops or loss of livestock as a result of weather related events, such as flood or drought. Sectors that may already be experiencing economic difficulties before such events should be identified and regarded as priorities following a disease outbreak or a catastrophic weather related event. These sectors should also be the subject of emergency management plans which should be ready before the event or disease outbreak occurs to ensure contingency measures and support can be rapidly implemented. However, this funding should not be used to perpetuate unsustainable practices where these have exacerbated the extent of the outbreak or weather event by using public money to replace unsustainable numbers of livestock or unsuitable crops which place an unsustainable environmental burden on the land affected by the event. We suggest that receipt of payments should be based upon an environmental assessment for the sustainability of production where environmental conditions have changed.

Climate change, bio-energy, water management and biodiversity

Do you consider that existing instruments under both pillars of the CAP are sufficient to respond to these challenges?

28. CPRE believes there is scope to greatly increase the range of measures under Pillar I and Pillar II to enable farmers to meet the challenges of climate change (for example by using farmland for storage of water during flooding events), maintain our wildlife habitats and protect our water and soil resources. However, it is clear that existing funding for Pillar II measures is inadequate and should be substantially increased.
29. CPRE believes that the European Union should begin developing a new Sustainable Land Management Policy that rewards farmers for the environmental public goods that are delivered through agriculture and the cost of delivering them. There is an urgent need to assess both the costs and value of the land management activities farmers undertake which also incorporates the future land management that will be required to meet the environmental challenges of climate change. CPRE and the NFU conducted research, published in 2006, that analysed the unsupported cost of the labour contribution made by farmers to managing important features of the English countryside. The *Living Landscapes*⁴ report estimated that the annual contribution by farmers to managing landscape features in England was worth £412m per year.
30. We are disappointed that the proposals for a European Soils Directive were recently rejected by the Council of Ministers. We believe a Soils Directive could help to integrate European Union objectives for water management and climate change, for example by maintaining the carbon storage role of soil and addressing the effects of soil erosion on river catchments.
31. CPRE supports bioenergy development where a positive contribution is made to rural economies and where real savings in greenhouse gas emissions can be achieved, providing its scale is such that there is no significant damage to our landscapes, wildlife, historic environment or soil and water resources. Financial support for infrastructure, for example for biomass or biogas plants would be welcome. However, CPRE does not support payments for the production of specific crops for biofuels. It is important that impacts on landscape character and habitats are properly assessed before major bioenergy developments are undertaken. We believe support should be provided for locally supplied small scale biomass and biogas developments through rural development measures.
32. We believe it is vital that the EU introduces a minimum production standard and certification of greenhouse gas savings and environmental impacts for all forms of bioenergy. In the meantime there is a need to further examine sustainability thresholds for biodiversity, landscape character, and for water and soil resources for biofuel and biomass crops, and for further research to be conducted into the potential for energy production from biogas.

If you consider that strengthening Rural Development instruments is needed, what would be your proposal in better addressing these new challenges?

33. CPRE believes there remains a need to draw together the measures across the three axes of the EAFRD to protect landscape character and distinctiveness. Additionally, CPRE would like to see a European Directive on Landscape developed and implemented to ensure that the special qualities and character of unique and distinct features of the European Union's countryside are preserved. This would complement

⁴ *Living Landscapes: Hidden costs of managing the countryside* – CPRE/NFU July 2006

and strengthen Directives on biodiversity, climate change and water by allowing Member States to pursue a broader range of objectives in environmental initiatives.

34. CPRE warmly welcomed the adoption of the European Landscape Convention by the Committee of Ministers of the Council of Europe in July 2000 and we were pleased that the UK Government ratified the Convention. However, we believe a European Directive would complement the Convention by ensuring EU policies are applied in a way that protects landscape character for its important environmental and socio-economic functions.

Strengthening rural development

Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges?

35. Yes. CPRE strongly supports the proposed phased increase in compulsory modulation to 13% by 2013 outlined in the Health Check. Without such an increase we have serious concerns that the objectives of the EAFRD can be delivered. CPRE was pleased that the UK Government has been provided with the option of voluntarily modulating at a higher rate to enable extra funds to be transferred to Pillar II for its rural development measures. While we welcome any increase in compulsory modulation we would not want to see any reduction in the flexibility for the UK Government to voluntarily modulate at a higher rate. We would like to see a progressive increase in compulsory modulation to a rate of 20% across the EU to ensure adequate funds are transferred to rural development measures and to assist with creating parity between Member State's rural development programmes. The UK should lead the way in this policy development.

How do you think the extra funds should be allocated to better respond to those new challenges?

36. CPRE strongly supports providing substantially increased funding for rural development measures associated with environmental protection and linking this with sustainable agricultural production. Greater funding will be needed to meet existing obligations in addition to addressing the new challenges that have been identified, particularly with the inclusion of any new measures for climate change mitigation and adaptation. The majority of any increase in Pillar II funding will be needed for Axis II measures with the aim of increasing farmers' participation in agri-environment schemes. Farmers will thus benefit from modulated funding to a greater extent. It is vital that all farmers are able to participate in agri-environment schemes and not just those with priority habitats. Without the ability to increase the environmental functionality of farmland, and its ability to adapt to a changing climate, our landscapes, wildlife and historic cultural assets may decline despite existing agri-environment initiatives. CPRE fears that failure of agricultural policy to secure enduring environmental benefits will provoke further disconnection between the people of Europe and the countryside they value so highly.