EEB response to the CAP Health Check Consultation

15 January 2008

The European Environmental Bureau (EEB) is Europe's largest federation of environmental citizens' organisations, working to protect and improve Europe's environment and to enable Europe's citizens to play their part in achieving that goal. Our members range from local and national, to European and international organisations, numbering over 145 in over 30 countries.

The following response is based upon ongoing work within the EEB's Agriculture Working Group, a unique forum where environmentalists from across Europe discuss agriculture issues from their different perspectives. Representatives from almost all EU member states, both old and new, and many Accession Countries work together in this group. The members of the working group are actively involved in making the implementation of the CAP on the national level more environmentally sustainable as well as socially just.

General Comments

Before responding to the specific questions in the consultation document, we wish to make some general comments on the consultation procedure. It is our view that this particular consultation process is of rather poor quality. Firstly, the stakeholder conference was too limited with place for only 70 people, most of whom were representing the various producer groups. Secondly, far too little time has been given for the consultation period, especially because it included the Christmas holiday period. We strongly suggest that future consultation periods be given eight 'working' weeks, to provide more time for responses, and that future conferences allow for more participants to attend. In our view a good example was the Commission's stakeholder conference on adaptation to climate change from June last year.

Specific Responses

1.1. Simplifying the Single Payment Scheme

– With respect to which rules could the SPS be further simplified without negatively affecting the functioning of the system? – 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? – What type of impacts would you expect with the introduction of flatter rates of support for farmers?

The decoupling of direct payments in the 2003 reform was generally welcomed by environmental NGOs at the time, including the EEB. At that time, the EEB advocated basic, flat rate area-payments, linked to the provision of basic environmental services. Under such a scheme, land use systems benefiting the environment would get higher payments. This is however not the case in most countries which based their decoupling on historical payments. As a result, the used form of decoupling offers too little incentive for farmers to be more environmentally friendly or to deliver environmental services such as extensive grazing of high nature farm lands. Also, this form of decoupling has been to the disadvantage of organic producers who already benefited little from subsidies in the system before the

2003 reform. Most importantly, however, it does not provide the legitimacy to continue with such payments in the long-term.

The EEB therefore agrees in principle that Member States should be allowed to move toward a flat rate support but its ultimate success and legitimacy will depend entirely on how these payments will work as an incentive for more sustainable farming practices. Only with well-targeted payments which reward farmers for the delivery of well-defined public goods can the legitimacy of the CAP be regained. It is important to underline that in practice this will entail, in many cases, a redistribution of subsidies or in other cases a significant change in farming practices. In most cases a redistribution should be away from intensive farmers that tend to be more environmentally harmful and more competitive, toward more extensive and less competitive farmers. These latter certainly have more need for support and, in many cases, also deliver substantial and often unrewarded, public goods. To increase the possibility of introducing a flat rate, it should be possible for the member states to maintain the money and redistribute it to Pillar 2 activities.

As an example, in Portugal, the SPS was made based on historical reference and brought more discrepancy for farmers with extensive practices. For example, some farmers applying to Agri-Environmental Schemes, that were obliged to increase fallows, had smaller aid in the first pillar of CAP aids and therefore received smaller amounts in the SPS, although they were implementing farming practices beneficial for environment (in this case for endangered bird species). Now we see some farmers with SPS from intensive regimes buying land on extensive areas, with huge discrepancies in amounts paid. Also new farmers can apply for SPS but with maximum values too small. Also, in the Portuguese Rural Development Plan it was very difficult to implement measures based on the agri-environment services made because it had to be done according to additional costs incurred or loss of income.

1.2. Cross-Compliance:

• What would be the potential outcome of maintaining the cross-compliance at its existing standards? • What impacts do you see emerging with the possible addition/deletion of certain legal requirements or GAEC standards?

A recent study by the IEEP, commissioned by DG Agri, already concluded that the administrative impacts of the Cross Compliance system for farmers are marginal. There can therefore be no talk of a deletion of legal requirements and/or GAEC standards on the grounds of simplification. The environmental impact depends to a large extent on the way it is applied and enforced by Member States. In particular, the way Member States have transposed the general requirements under GAEC into specific national measures has differed so greatly that efforts now need to be made to ensure more consistent application. Also, the number of measures under GAEC must be extended to better address the ever more strongly emerging challenges of water stress, biodiversity loss and climate change.

As regards the Good Agriculture and Environmental Conditions we believe the following measures should be added:

- 10% of the farm area should be designated as an environmental protection area (hedges, grass buffer zones, ripisylves, ecological corridors, etc.) (See also question on abolishing set aside and the need for alternatives)
- A maximum of 15 ha per arable plots, separated from each other by hedges or grass buffer zones with no pesticides and a minimum of 3 crops per rotation for cereal farms, a maximum of 50% or 15 ha for the most important crop. Minimum crop rotation of 1:4
- Minimum application of 1,500 kg/yr effective organic matter
- No burning of crop left-over like straw, grass, etc.
- Use of most resistant varieties of a given crop

- Soil should be covered with crops or catch crops
- Mechanical weeding
- No use of soil fumigants and other soil treatment with chemicals
- Pesticide use only on the basis of indicators (insect traps, decision-predicting systems, etc.)
- No use of pesticides and fertilizers within a zone of 10 meters to water courses and wetlands (permanent or temporary).
- All landscape features should be respected and a minimum list of these should be included in the revised regulation. Member States would then be free to add but not delete from this list of elements.
- No farming activity (ploughing or harvest) during the breeding season
- 10% set-aside (set-aside is important to promote vegetation diversity and to have quiet breeding areas; if the measure of 0% set-aside is maintained in the future there should be other ways to implement it
- Permanent grasslands, being a carbon sink and often a place for farmland biodiversity, must be much better protected than has been the case so far.

All of the above measures will serve to improve the environmental performance of farming. Given the fundamental change that is currently taking place in European farming from a situation of surpluses to one of shortages, and the resulting impacts on price and intensification, including such measures will be crucial to avoid an increase in environmental pressures especially in the more productive farmlands where intensive production is already taking place.

From 2010 onwards the Programmes of Measures under the Water Framework Directive (WFD) will need to be implemented which means that it will also become clear what exactly the regulatory requirements will be for individual farmers. This means that there is no longer any reason not to include the WFD to the list of SMR. This will be especially important to address the often unsustainable levels of water abstraction. Including water protection related measures under the GAECS will be one important step to help farmers meet the WFD objectives, especially in dealing with diffuse pollution of nitrates, phosphates and agro-chemicals.

Actual practice in Portugal has also identified the need for communications or awareness-raising campaigns amongst farmers on issues such as cross-compliance. Here, there is a lack of awareness amongst farmers on the implementation of cross-compliance and higher penalties for those that do not fulfil obligations. In Portugal, farmers were nor properly informed and the penalties are a very small percentage of the support paid; also the time between an inspection to the farmer and the result do not contribute for a better implementation in the next year).

1.3. Partially coupled support

• Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option? • Should decoupling be applied in full extension but negative impacts mitigated by alternative flanking measures? In this case, what kind of measures? • Are there any sectors where targeted, partially coupled support should remain and which problems do you consider this support to mitigate?

In principle, the EEB is in favour of full decoupling in the longer-term, having also argued for this in the 2003 CAP reform, but the transition between the current system and full decoupling needs to be managed to prevent undesirable environmental damage or financial ruin. Such a transition means moving to a partial decoupling on the way towards achieving full decoupling, recognising that partial decoupling will create trade disturbances within the Community since farmers are operating under different market conditions.

Full decoupling means that market forces become dominant and this can have serious negative consequences for the environment as long as the Polluter Pays Principle is not fully implemented. Due care must therefore be given to ensuring that sufficient financial support is available to maintain certain extensive farming systems where they bring significant environmental and other public benefits. Extensive grazing is a sector that probably will suffer from complete decoupling. Therefore, funding structures should be heavily weighted towards the environmental benefits of grazing in order to safeguard such activities, or extra financial resources earmarked for paying for public goods and other societal goals paid from the Rural Development budget.

Another Portuguese example is in partial decoupling in cattle farming (sheep and cows). The aid for cows is substantially higher than for sheep and the labour involved with sheep is higher. Therefore, we are seeing a shift from traditional sheep grazing to cow grazing without knowing the environmental consequences (for instance, on biodiversity).

The EEB therefore supports the idea of revising Article 69 of the Horizontal Regulation of September 2003 (EC 1782/2003), which authorises the creation of a National Envelope, using up to 10% of funds from a certain sector, to be redistributed within that sector and paid on an annual basis. The use of Article 69 has been limited in the past and the revision should include reflection on the reason behind this so as to ensure that a much better use can be made in the immediate future until 2013. The percentage of pillar 1 funds that can be used should be increased to 30% and it should be made possible to redistribute the funds from one sector to another one. Only in this way will significant funding be available to address the challenges described in the Commission's Communication on the CAP Health Check and will the instrument be flexible enough to spend the money in the sectors where it is most needed. We believe that the concept of High Nature Value Farming as developed over the years by the Commission, Member States and expert groups provides a sound basis for targeting the financial support.

Full decoupling also means that environmental protection through regulatory instruments becomes even more imperative than it already is today. As mentioned before, this means that cross-compliance needs to be strengthened and better controlled. It also means for example that new legislation is needed in some cases, the most important one being a Directive on the protection of soils.

1.4. 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?

The proposal of the Commission to cap payments over 100.000 EUR per year will affect approximately 1% of payments, mostly farmers in the UK and the east of Germany. According to calculations by the RSPB, the proposed capping of direct payments will lead to a need for an additional 2.2 billion EUR over the period 2010-2013. Although the EEB agrees with the idea behind this, it is to a large extent a cosmetic measure which does little to address the root cause of the problem: the lack of legitimacy for continuing with payments to farmers. The measure has benefits insofar that it will complement the rather meagre Commission proposal for modulation. What really matters in the end, is whether the funding farmers receive is proportionate to the environmental benefits they deliver.

At the other end of the spectrum, setting minimum level of payments, the same principle applies. The criteria should be whether or such small payments are crucial for helping small farmers to stay in business and deliver environmental benefits. Given that environmental assets are often associated with small farmers, we expect that in many cases it is worthwhile to continue with these payments. This could also contribute to avoid land abandonment

2. GRASPING NEW OPPORTUNITIES AND IMPROVING MARKET ORIENTATION

2.1. 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?

In keeping in line with our position on the need to avoid negative environmental impacts from perverted funding systems, EEB's view is that intervention systems that aim to control prices are not acceptable, whereas interventions that aim to maintain realistic reserves are.

2.2. Cereals set-aside

• Do you consider that abolition of set-aside in the current context of market and policy developments is appropriate?
• What measures do you consider appropriate in order to maintain environmental benefits associated with set-aside?

The abolishment of the cereal set-aside regime without a proper alternative is likely to have devastating consequences for farmland biodiversity and environmental pressures, depending on the region, the country and the production system. An example of an environmental effect is the increase in fertilizer use due to abolished set aside. The set aside was used for green cover crops fixating air nitrogen. The increase in cereal prices has led to monocultures instead and increased use of fertilisers.

Although the set-aside was designed as a supply control measure and was never intended to have an environmental function, the reality is that the regime ended up providing significant environmental benefits such as small biodiversity havens. In a likely scenario of continuously high cereal prices and the resulting drive for further intensification, taking away the instrument that ensured a certain level of ecological connectivity within the intensively farmed landscape will in some regions be disastrous and turn large parts of arable land into a biodiversity desert, not to mention the increasing pressure on soil and water resources. Especially water bodies in intensively farmed land are at risk of failing to meet the objectives of the Water Framework Directive. Taking away set-aside without an adequate alternative will therefore make it even more challenging for farmers to meet WFD objectives.

The set-aside regime must therefore be replaced by a compulsory instrument which will not only ensure that the current environmental benefits of the set-aside system are maintained, but which will in fact lead to an improvement. Voluntary measures such as RDR schemes will not be competitive enough with high cereal prices to ensure that environmental benefits will be maintained. Moreover given the seriousness of the environmental crisis we are facing, the environmental benefits should in fact be sure to increase under a future scheme. Such obligatory environmental schemes could contain for instance lark patches, strips, buffer zones, etc.

2.3. 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?

Although the EEB agrees in principle with the abolishing of the milk quota as an outdated instrument of market management, there are some implications related to it which need to be addressed. Abolishing the milk quota is likely to lead to further intensification in already productive areas and abandonment in less productive areas. In the first case this further intensification and increase in the scale of operation can be expected to lead to an increase in methane emissions, one of the most significant contributions from the agricultural sector to climate change. In the second case this could lead to the loss of valuable farmland biodiversity associated with extensively grazed grasslands. The EEB is not against the abolishing of the milk quota but with the caveat that these two very significant impacts need to be addressed.

The problem of increased emissions of methane and ammonia will need to addressed through a reinforcement of regulatory instruments for example in the upcoming revision of the National Emissions Ceilings Directive. The problem of land abandonment needs to be dealt with through targeted funding, using Article 69 as well as the revision of the Less Favoured Area scheme. Other instruments could be limitations on import of protein fodder and demand for self sufficiency of fodder. These criteria would lead to milk systems with better balance between animal husbandry and plant production reducing the risk of surplus nitrogen on arable land, which increases the risk of eutrophication of water. Organic farming is an example of a balanced system, which should be supported.

2.4. 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?

The general view point of the EEB is to support full decoupling and redistribution of financial support to paying for public goods and other societal goods. By doing this the positive values of specialised crops could still be maintained.

3. RESPONDING TO NEW CHALLENGES

3.1. 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?

EEB's approach to CAP reform and general changes to agricultural practices aim to reduce behaviour that results in an increase in climatic changes, including increased extreme weather events and related disease risks. The shift to more ecologically sensitive farming practices, and financial mechanisms that promote and support these activities is at the heart of answers to all questions relating to agriculture. Focusing on risk measures continues to address the symptoms of errors in our

agricultural policies and practices, which form part of the causes of the events that give rise to the discussion on such risk measures.

Having said this, in the shorter term, there may be a need for new measures but due care should be taken these should not act as an incentive to reward farmers who have simply failed to properly manage their resources. Extensive evidence from the US-based NGO Environmental Working Group shows that when farmers can rely on a public compensation system in the case of harvest loss, they tend to expand cultivation of the most valuable crops (e.g. maize) into regions where the climatic conditions are not suitable for such crops. Providing a guarantee against drought damage will inevitably lead farmers to grow more water-demanding crops in arid regions, exacerbating chronic water stress and increasing the impact of droughts. The EEB therefore strongly believes that insurance mechanisms against weather-related crop failure should be limited to the most extreme cases of freak weather events, for example, events with a historical return time greater than a given period. This given period needs to be considered carefully given that in some Southern countries, there are periods of severe drought every 10 years with serious damage on production and on biodiversity. Price insurance mechanisms would be even more damaging as they would be tantamount to returning to the times of guaranteed prices and would inevitably lead to repeating all the perverse effects witnessed by the CAP in the 1970s and 1980s (overproduction, stock accumulation, dumping on foreign markets, uncontrolled spending and widespread environmental damage).

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

First of all the EEB would like to point out that bio-energy is one of the means which, if properly developed, can help meet the environmental challenges outlined in the Communication but it is misleading for it to be presented as a challenge in itself. In any case, the focus of all climate work should primarily be on demand reduction and energy efficiency rather than focusing on the replacement of fossil fuels with bio-energy. In many cases, the production of bio-energy actually undermines efforts to meet the real environmental challenges and the development and promotion of bio-energy should in fact be tied to stringent sustainability criteria.

That said, the EEB believes that the CAP's current instruments are completely insufficiently targeted to address these challenges. The rural development budget is dangerously under-funded and Pillar 1 payments are not creating any incentive for farmers to reduce environmental pressures. The Commission' proposal for increased compulsory modulation to 13% in 2013 compares poorly to the Commission's proposal of 20% in 2003. The EEB expects that if the Commission is serious about addressing these global challenges to come forward in its legal proposal in Spring with a modulation rate of at the very least 20% starting in 2009 but preferably 30%.

The EEB also believes that the first generation of bio-energy crops from agriculture will not be part of the long term solution. Second generation crops from primarily forestry will probably be far more relevant.

Currently the agricultural sector in Europe still contributes to a number of serious environmental problems. Diffuse pollution from nitrates, phosphorus and agro-chemicals is a long standing problem which member states have so far failed to address effectively. Over-abstraction of water especially in Southern countries is contributing to situations of water stress. Implementation of the Water Framework Directive is widely looked upon for solving some of these long-standing problems but is

unlikely to be successful unless supported by a fundamentally reformed Common Agricultural Policy. For this, more funding reform is needed but also regulatory instruments need to be strengthened and further developed where necessary.

Although GHG emissions from the agricultural sector have decreased over the last years, mostly due to the effects of partial decoupling, we can expect this decrease to end soon and even to reverse (that is, to increase) when increased use of mineral fertilisers for growing crops for biofuels. Also, the abolishment of the milk quota and the ensuing increase in scale of operations will lead again to more emissions of nitrous oxide, ammonia and methane. This on the one hand puts into question the type of bio-fuel support policy the EU has in place and is currently developing but also drives home the need for strengthened regulatory instruments. Addressing GHG emissions from agriculture should also put the onus on preserving grasslands as they are, especially when they are older, significant carbon stocks. For this a combination of increased targeted funding and improved cross compliance rules is necessary.

Climate impact from agriculture will only be reduced significantly if structural changes take place. The meat production – and hence the meat consumption - must be substantially reduced. This reduction must be done side by side with continued action on improving energy efficiency and reducing our dependence on fossil fuels.

3.3. Strengthening rural development

• Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges? • How do you think the extra funds should be allocated to better respond to those new challenges?

The EEB agrees that within the CAP Health Check significant sums must be transferred from pillar 1 to pillar 2 through modulation but this money should then be ring-fenced for the second axis of the EARDF. As said in answer to the previous question, the EEB believes that the Commission's suggestion of a progressive increase to 13% compares poorly to the 20% proposed in 2003. The proposal should now be at the very least 20% by 2009 but ideally 30%. As also proposed in our response, Article 69 should be revised so as to increase the national envelope to 30% and to better target this funding to support the continued extensive farming in High Nature Value farmland areas.