

Research group in Agroecology, Department of Applied Biology, University of Helsinki

Response to Commission's public consultation on the "Health Check" issues

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1 Taking stock of the implementation and simplifying the Single Payment Scheme

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?

The system should be based on flat rate payments, which would not disadvantage small farmers with smaller historic yields. In many cases smaller yielding farming systems and regions produce fewer environmental externalities. Example is organic farms.

– 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?

The Member States should be allowed to adjust their SPS model at national or regional level.

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

Collapse of some farming types may happen regionally unless supported by other mechanisms (Rural Development support). Example in Finland - dairy production, which is still largely based on family farms of small or medium sizes, and already losing its competitiveness to other countries with larger more industrialized units. Removal of support and quotas will lead, among other, deterioration of Finnish farmland as habitat for species dependant on grassland and grazing.

1.2. Cross-Compliance

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

This is a difficult to assess since no evaluation of cross-compliance implementation are available at the moment. Cross compliance is an important tool for strengthening compliance with EU legislation and improves basic environmental practices in farming. It increases the legitimacy of public direct payments. In its current form, cross-compliance can be regarded as rather weak, not requiring much beyond good agricultural practice.

Permanent grassland should be better protected under cross compliance: no conversion to arable or permanent crops for all permanent grasslands **at the farm level**. Permanent

grassland should be clearly defined (for example, undisturbed - not ploughed, not fertilised - for over 10 years). As it is now, farmers may convert valuable permanent grasslands as long as it is replanted somewhere else, even by species-poor seed mixtures. Derogations may be allowed for regions with high cover of permanent grasslands unless these are biologically valuable or in areas prone to erosion, or nutrient leaching.

Landscape features are protected by only four states. The cross compliance should include a list of landscape features that must be protected (e.g. hedges, wet areas). The Member States will be able to add nationally important elements.

Management of non-cropped fields - control vegetation growth - should be done outside the breeding season for birds. Control of noxious weeds should be only targeted to infested spots.

An evaluation system should be set up by Member states to determine the effectiveness of cross compliance rules.

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

Deletion of requirements should is not welcomed: most of them are part of existing legislation, and so do not impair farmers. Following cross-compliance indeed made support be more publicly acceptable. Addition should, above all, cover efficiency and accountability of water use, and further reduce pollution (e.g., whole farm nutrient plans). Setting-aside a fraction of land for farmland biodiversity should be included as a replacement for a former set-aside tool. Placing such land in pollution-sensitive fields will have considerable contribution to water protection.

1.3. Partially coupled support

- Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option?
Cannot answer

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

If full decoupling is applied, some farming types/industries can and should be supported in case they produce public benefits (see example on Finnish dairy)

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

See on dairy in Finland. Maintaining grazing is a critical issue also in other parts of Europe

1.5. 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?

It should prevent large recipients from splitting legally into smaller units in order to accumulate the full support

- 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?

Do not sufficiently know the question

- 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?

It is a reasonable concern, but should the change should in no way exclude small, often semi-subsistence farmers, from receiving public support. They are often the ones to create considerable public goods by supporting the landscape, culture and biodiversity.

2 Grasping new opportunities and improving market orientation

2.1. Cereals Intervention

Do not sufficiently know the question

2.2. Cereals set-aside

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

Yes

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

The only appropriate measure, which would make the current direct support rate publicly acceptable and is able to maintain environmental benefits associated with former set-aside, is to develop an environmental set-aside as part of cross-compliance. This will have to be compulsory for all farms receiving SPS. A package of recent results covering major biodiversity groups in Finland demonstrated the value of set-aside for all groups, though in many cases this potential value was not realised because establishment and management of set-aside was not promoting biodiversity (e.g., establishment with competitive grasses, early mowing). In order to achieve these targets on a large scale, a new tool has to be obligatory to all farmers (or to those enjoying direct support). Otherwise, if delivered only through agri-environment measures, it will have limited uptake, competing with other measures and growing prices for production, and will

remain restricted to the least productive areas away from where it is most needed (intensive agricultural areas).

It is absolutely clear that the benefits of the set-aside delivered so far for biodiversity must be retained whatever further changes to the CAP are envisioned. Even when not managed in the best possible way for biodiversity (e.g., establishment with competitive grasses, early mowing), set-aside areas still have had a considerable benefit. If replaced by a special policy tool, conservation set-aside will have absolutely paramount importance for sustaining wildlife in Europe. It will, at the same time, contribute to the long-term soil fertility and water health across European farmland. We welcome the commitment of the Commission to consider set-aside as a part of Health Check proposal but urge it not to leave it only as a tool under the Rural Development Planning. A truly widespread conservation set-aside will be one of the key tools in the EU's target of halting biodiversity loss by 2010.

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?

In Finland dairy production is largely based on family farms of small or medium sizes, and already losing its competitiveness to other countries with larger more industrialized units. Removal of support and quotas will lead, among other, deterioration of Finnish farmland as habitat for species dependant on grassland and grazing. Alternative support could include agri-environmental payments to grazing animals. Abolition of support rates based on historic outcome will also benefit smaller farmers.

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?

- 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?

Farming as an activity is based on adaptive management, and prone to risks. Policy should be very careful here: by providing guaranteed risk support it will make the system over-rely on it and lessen adaptation research and on-farm decision-making. Farmers may start taking unnecessary risks: for example, to provoke pest outbreaks by employing simplified crop rotations, to have crop failures by planting risky crops poorly adapted to local conditions, by further specialisation in one crop. This strategy may push farming from diversification, and can have adverse impact on adaptation to the climate change.

Insurance against crop failure from weather should be limited to the most extreme cases.

Supporting farmers for other public goods through Rural Development may be a better strategy of insuring some income despite crop failure.

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?

Evidence clearly demonstrates that it is not the case in most countries: deterioration continues despite the policy tools. Many good agri-environment schemes do not reach their objectives by being too relaxed and unspecific, and being a product of too many compromises with producer organisations.

In Finland, non-point pollution remains a serious issue. For example, those farmers who estimated fertiliser input rates according to the nutrient budget assessments, applied even more nutrients than farmers without such plants. The reason is in an over-optimistically elevated yield expectation level.

The state of traditional biotopes – areas most valuable for their biodiversity – continues to decline because the existing support schemes are not able to compete with the production related support and market forces, which leads to the further concentration of cattle breeding in one part of the country and general decline in grazing.

Increasing spending for RDP through larger modulation, stronger cross-compliance, inclusion of compulsory conservation set-aside tool into cross-compliance, stricter rules on nutrient management, especially in pollution sensitive areas

In Finnish conditions, bio-energy crops are at the moment not able to deliver reductions in carbon, and should not supported unless positive carbon budget is proved.

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?

It will certainly help but the proposed modulation rate of 5% or 13% in 2013 are unlikely to be sufficient considering recent budget cuts for rural development.

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

Better, more explicit targeting of support, is needed. So far in Finland, it is done for water protection purposes but not for biodiversity.