

EFRA Committee Inquiry into EU proposals to green the CAP

Response from the Rural Policy Centre, SAC



Environment, Food and Rural Affairs Committee Inquiry into EU proposals to green the CAP

November 2011

Introduction

SAC (Scottish Agricultural College) welcomes the opportunity to contribute to the Environment, Food and Rural Affairs (EFRA) Committee inquiry into EU proposals to green the CAP.

SAC is an innovative, knowledge-based organisation that supports the rural sector through research, education and expert consultancy services. SAC wishes to see, and contribute significantly to delivering, a sustainable agricultural and rural land use sector in Scotland, the UK and throughout Europe. SAC staff work in a broad range of areas (for more information see www.sac.ac.uk) and our responses to the questions below reflect this broad expertise, but draw on specific research projects where appropriate.

This response has been co-ordinated by SAC's Rural Policy Centre (www.sac.ac.uk/ruralpolicycentre/) with several SAC staff contributing. These include:

- **Dr Davy McCracken:** Reader in Agricultural Ecology, Land Economy and Environment Research Group, SAC.
- **Dr Andrew Barnes:** Reader in Behavioural Change and Innovation, Land Economy and Environment Research Group, SAC.
- **Dr Bob Rees:** Head of the Carbon Management Centre and Reader in Low Carbon Farming, SAC.
- **Douglas Bell:** Senior Agricultural Policy Consultant, SAC.
- **Dr Anita Wreford:** Researcher, Land Economy and Environment Research Group, SAC.

This response focuses on the five areas in which the Committee particularly asked for submissions.

Does the proposal to green direct payments generate significant environmental benefits?

The basic principles behind some of the greening proposals (e.g. encouraging greater crop diversification, maintaining 7% ecological priority areas, extending cross-compliance to include protection for watercourses) are elements that SAC and partners have been highlighting since 2007 as having potential wider European biodiversity benefits¹. However, although it is proposed that 30% of the direct payment budget will have to be spent on greening measures, whether real environmental benefits do arise will depend on how these are implemented in practice. For example:

- It is possible to 'maintain' permanent pasture without it necessarily having any biodiversity or climate change benefits – it is the way it is 'maintained' that matters.
- There are no direct measures being proposed that will make a direct contribution to reducing greenhouse gas emissions from the agricultural sector.
- Increasing the diversity of crops grown at any one time has the potential to reduce landscape simplification (one of the major drivers of farmland biodiversity decline) but this depends on how 'different crops' are defined – wheat, barley and oats are all different crops, but growing these three would still result in a largely homogenous cereal landscape.
- Maintaining an ecological focus on 7% of a farm also has the potential to increase landscape heterogeneity, but currently the areas under consideration appear to be largely, if not exclusively, farmland edge habitats, including some elements that occur within fields that would reduce landscape simplification even more. Until the 'biotopes' that are mentioned in the draft text are defined in more detail then it is difficult to judge how useful this measure will be in practice.

With regard to the latter bullet-point, it is clear that there is currently a great deal of resistance by farmers and their representatives to making mandatory what they term 'environmental set-aside', and which they view as taking good farm land out of production. It is worthwhile highlighting two comments with regard to these considerations²:

- In many situations, applying the ecological priority area approach would not necessarily have to involve removing land completely from production, but rather biodiversity benefits could be achieved by simply changing the intensity of management of those areas of the farm. For example, while it would not be feasible (or desirable) to plough or apply nutrients in the buffers established

¹ McCracken, D.I. (2011) Farmland biodiversity and the Common Agricultural Policy (CAP). SAC Rural Policy Centre Policy Briefing (RPC PB 2011/04). Available online at: <http://www.sac.ac.uk/ruralpolicycentre/pubs/changinenvironment/farmlandbiodiversity/>.

² McCracken, D.I. (2011) Challenges for post-2013: biodiversity, in Atterton, J. (ed.) Rural Policy Centre Report on 'The future CAP for Scotland' conference, Wednesday 16th March 2011, Edinburgh, pp. 3-5. SAC Rural Policy Centre Policy Briefing (RPC PB 2011/05). Available online at: <http://www.sac.ac.uk/ruralpolicycentre/pubs/supporttoagriculture/futurecapscotland/>.

next to watercourses or hedgerows, such buffers would still be open and available for grazing by livestock.

- Until there is evidence that the voluntary measures being taken in England under the Campaign for the Farmed Environment are actually being applied at a scale that is appropriate to have a positive impact on biodiversity and the wider environment, making such an approach mandatory is likely to be the only way to achieve the scale of action on the ground necessary to help reverse farmland biodiversity declines, especially in the more intensively farmed regions where uptake of agri-environment schemes has been low.

Not implementing some form of greening would be a retrograde step as far as environmental issues are concerned. As SAC staff made clear in their presentations (on challenges facing climate change and biodiversity) at a Scottish Government CAP conference earlier this year³, large-scale actions are needed on the ground to address climate change and biodiversity concerns effectively and only major reform of the CAP can help achieve this. For example, to meet climate change mitigation targets will require engagement from 90% of Scotland's farmers, while the scale of loss and fragmentation of habitats in the lowlands is such that only actions focussed on re-establishing ecological connectivity at the landscape scale will stand any chance of redressing the balance. The scale of action required is similar across Europe and the reform of the CAP needs to acknowledge and reflect this.

What will be the impact of additional greening requirements on food production and the competitiveness of the agricultural industry?

The figure of 7% on which to maintain the ecological focus is based on the Swiss model and we would regard this as a reasonable starting point, which has the potential for having benefits from a biodiversity perspective if it is properly targeted and for the reasons given above. While there are concerns (particularly amongst farm businesses) that this may take good quality agricultural land out of production (and thus appears to be at odds with a drive to increase sustainable production), the Swiss experience suggests that this is not likely to interfere in any substantial way with the vast majority of farming systems in the UK. As indicated elsewhere in this submission, we see the major benefits coming from greening Pillar 1 and more effective targeting of Pillar 2. On its own, neither approach is enough.

As a starting point, it is important to highlight that the UK National Ecosystem Assessment has emphasised that biodiversity is actually fundamental to the continuing productivity of farmland. Although the need to conserve protected species and habitats of nature conservation importance is still an important part of the biodiversity agenda, there is a need to appreciate that biodiversity in its wider sense (i.e. the state of our soils and the variety, amount and condition of different habitats on our farms) is also essential to farm productivity. Hence, not addressing biodiversity and wider environmental concerns on farmland is not an option if UK and European farming systems are to remain sustainable into the future, especially given the added pressures from climate change.

³ Atterton, J. (ed.) Rural Policy Centre Report on 'The future CAP for Scotland' conference, Wednesday 16th March 2011, Edinburgh, pp. 3-5. SAC Rural Policy Centre Policy Briefing (RPC PB 2011/05). Available online at: <http://www.sac.ac.uk/ruralpolicycentre/pubs/supporttoagriculture/futurecapscotland/>.

Mitigation of greenhouse gas emissions is likewise critical to the sustainability of agricultural production, and there are opportunities to develop management strategies that achieve greenhouse gas mitigation, increases in biodiversity, and the long term sustainability of crop production. While there is general recognition of the importance of such actions by the farming community it remains difficult to provide adequate incentives within the current policy framework.

Agriculture will be particularly exposed to a changing climate, and the extent to which it can continue to be productive and competitive will be determined by its ability to adapt to changes. Historic removal of coupled support and proposals to move towards greener production make the industry more flexible and responsive to change. Most of the greening requirements should make the agricultural sector more resilient to climate change (and therefore able to continue to be competitive and productive) however it is important that future requirements take a holistic view of all environmental considerations, to avoid unintended consequences. For example, while there are many synergies between adaptation and mitigation strategies, there are also conflicts and trade-offs that should be considered.

At present we find that the efficiency (and therefore competitiveness) of farms within the UK ranks reasonably well against European counterparts⁴. Some work has found that a green approach to decision-making has a positive impact on efficiency⁵. Hence, a consequence may be benefits for decision-making, through influencing attitudes and behaviours which encourage more resource-use efficiency on the farm.

The consistency of the greening proposals with the CAP simplification agenda

Whatever way they are implemented, it is clear that the greening proposals will add more complexity to the governance of Pillar 1. As such, they do appear at first sight to go against the CAP simplification agenda. However, that simplification agenda is aimed at reducing unnecessary complexities in the CAP while still achieving key CAP objectives. It has to be recognised that halting and reversing farmland biodiversity declines is a major undertaking and one that requires that action be taken by farmers across Europe. Hence, if the added complexity, and associated cost, of the greening measures does result in Europe meeting its 2020 biodiversity targets then in reality this should be regarded as money well spent. The key will be to ensure (as indicated elsewhere in this submission) that what is being asked of farmers will actually result in real biodiversity and environmental gains on the ground.

How can greening pillar 1 be made coherent with agri-environment schemes?

Landscape simplification is the key driver of farmland biodiversity declines but it has also become clear over the last 25 years that this cannot be addressed at the scale required solely by using agri-environment schemes. The amount of funding available is always too limited and, just as importantly, the reliance on farmers signing up voluntarily to agri-environment schemes means that potentially useful measures lose

⁴ Barnes, A.P., Revoredo-Giha, C., Sauer, J. Elliott, J. and Jones, G. (2010). *A report on technical efficiency at the farm level 1989 to 2008*. Final Report to Defra, London.

⁵ Barnes, A.P. (2006) Does Multi-functionality affect Technical Efficiency? *Journal of Environmental Management* 80, 287-294.

their effectiveness by being applied piecemeal across the agricultural landscape⁶. However, as already indicated above, SAC and others have continued to highlight over the last few years that landscape simplification could be addressed and the available agri-environment funds used more effectively if all farmers were required to do more in order to qualify for Pillar I support.

Hence, the greening proposals, if implemented appropriately, do have the potential to increase the general biodiversity value of the more intensified farmland and thereby increase the probability of more targeted agri-environment actions achieving their biodiversity goals. The latter point about targeting, however, is key. It is good that agri-environment schemes have been maintained in the draft CAP reform text and that preserving and enhancing ecosystems is one of the six proposed Rural Development Programme priorities. But as a recent European Court of Auditors special report on agri-environment schemes⁷ has highlighted, in many cases across Europe, agri-environment schemes are not designed and monitored so as to deliver tangible environmental benefits; many objectives are too vague to be useful for assessing the extent to which they have been achieved; and in a number of cases, agri-environment payments were not clearly justified by the environmental pressures identified in the associated rural development payments.

Hence the greening measures in Pillar 1 will only have a real benefit if they are accompanied by better designed, targeted, implemented and monitored agri-environment schemes in Pillar 2. Farmland biodiversity and climate change concerns across Europe are potentially many and varied and as a result much of the action to date to try to address these has been spread very thinly. Establishing broad priorities could help with the targeting of actions and ensure that sufficient attention is devoted to each. To this end, SAC (working with others) has recommended that greater attention should be placed on addressing:

- The simplification of agricultural landscapes;
- The increasing pressures being put on HNV farming systems;
- The excessive use of nutrients within farming systems;
- The documented declines in farmland bird populations;
- The pressures being put on semi-natural vegetation.

In this way, the greening of Pillar 1 would therefore help to improve the underlying habitat diversity occurring in many agricultural landscapes and more targeted agri-environment measures would stand a greater chance of having an impact at the farm and wider landscape level.

Recommendations for improving the greening proposals

From a farm business perspective, there is a strong suspicion that the proposed greening measures are a political solution to making expenditure on the CAP more palatable to the tax paying public, rather than designed particularly to deliver biodiversity or any other benefits.

⁶ McCracken D.I. & Midgley A. (2011) Halting farmland biodiversity declines: a way forward In: Marrs, S.J., Foster, S., Hendrie, C., Mackey, E.C. & Thompson, D.B.A., eds., *The Changing Nature of Scotland*, 299-314. The Stationary Office Scotland, Edinburgh.
<http://www.snh.gov.uk/publications-data-and-research/trends/scotlands-trends/conference-2009/>

⁷ <http://www.eca.europa.eu/portal/pls/portal/docs/1/8760788.PDF>

The greening requirements are both described as mandatory and as a top-up which is causing confusion. It appears that while 30% of Member States' budgets will be allocated to greening at farm level, the receipt of the 'Basic Payment' also appears dependent on meeting the requirements. Thus greening is being viewed as 'super cross compliance'.

While few farmers would welcome further restrictions to their land management, most can accept the requirements 'as part of the deal'. However, where there appears little logic behind the requirements, acceptance is more difficult as illustrated by the following examples (also discussed in more detail elsewhere in this submission):

- **Crop diversity:** While crop diversity is recognised as beneficial from a biodiversity perspective, a measure clearly targeting arable monocultures appears to be a blunt instrument when applied across the whole of the EU. In much of the livestock-dominated area of Scotland, for example, where farmers perhaps grow one field of grain as stock feed, they may choose to abandon grain production rather than try to grow another two crops which may be unsuited to their farm conditions. If this measure is to be implemented a more pragmatic approach would be to use the proportion of land cropped rather than three hectares as the trigger.
- **Maintenance of permanent pasture:** How permanent pasture is defined will be critical here. While species rich swards have a biodiversity value, the proposals describe permanent pasture as leys over five years old. Scotland has a long history of grassland rotations of much longer than five years resulting in a large area of rotational grass over five years old which has little conservation value and which benefits, in terms of productivity, from being reseeded or sown to arable crops over an extended livestock oriented rotation. If farmers are to be prevented from following these rotations it again appears that competitiveness may be compromised for little environmental gain.
- **Environmental focus areas:** As discussed above, there are concerns that taking good quality farmland out of agricultural production appears at odds with a drive to increase sustainable production. While farmers will endeavour to include existing environmental features as part of their 7%, many will end up effectively setting land aside. It is currently unclear which existing features or management options will qualify but there is concern that areas already being funded under agri-environment schemes will fall foul of a double funding trap (i.e. unable to receive funding from both Pillars of the CAP at the same time).

In reality, action at a whole farming system level is ideally the best approach to maintaining or improving biodiversity and greenhouse gas mitigation on any farm. Hence the lack of any mention of High Nature Value (HNV) farming systems is a glaring omission in the draft CAP reform text, and one that, if not addressed, will mean that the biodiversity value of Europe's HNV farming systems will continue to decline⁸.

⁸ McCracken, D.I. (2011) CAP reform post-2013 - an opportunity to support High Nature Value farming systems in Scotland? SAC Rural Policy Centre Policy Briefing (RPC PB 2011/09). Available online at: <http://www.sac.ac.uk/ruralpolicycentre/pubs/supporttoagriculture/hnvfarmingsystemsscotland/>

The HNV farming system concept recognises that many European habitats and landscapes considered to be of high nature conservation value are intimately associated with the continuation of specific low-intensity farming systems⁹. The underlying principles behind the development of the HNV farming concept were, and remain, that:

- Market, agricultural policy and social pressures are increasingly making such HNV farming systems economically unviable;
- Any resulting intensification or abandonment of such farming systems would adversely impact on the associated HNV;
- There is therefore a justifiable case to be made for directing additional financial support to these farming systems to help maintain the HNV.

The current European Rural Development Programme requires that all EU Member States establish a baseline of the extent of their HNV farming systems and track trends in that HNV farming system resource within the life-span of their individual Rural Development Programmes. Many Member States have made good progress in developing HNV farming indicators (e.g. Bulgaria, Estonia, Germany, Italy, Finland, Romania, Scotland) while others still have work to do (e.g. England, France, Wales)¹⁰. However, simply having the facility to track the downward trend in European HNV farming systems is not enough in itself.

Although no mention of HNV farming systems is made in the draft CAP reform text, it is highly likely that the extent, distribution and condition of HNV farming systems, together with the amount of CAP support being directed to these systems, will remain as a means by which the European Commission will evaluate each Member State's Rural Development Programme post-2013. There is therefore a need to consider not only what types of HNV farming-specific support mechanisms are required but also what policy framework will ensure that such support can be implemented effectively.

Those few Member States (e.g. Bulgaria, Romania) that are currently directing specific support to HNV farming systems have done so using agri-environment measures within Pillar 2 of the CAP. This is likely to remain the main route by which any HNV support measures are developed. However, the suggestions in the current draft proposals that part of the Pillar 1 budget post-2013 could be used for coupled actions and/or targeting additional funding to areas with natural constraints, do, if implemented appropriately, appear to have the potential to be used to direct additional Pillar 1 support to HNV farming systems. However, if HNV farming systems are not highlighted as a priority in the text of the reformed CAP, what will encourage Member States to take the opportunity to use these funding mechanisms in that way?

Hence as it currently stands, the development of any post-2013 HNV support mechanisms will depend highly on any one Member State taking the initiative to do so. It will also depend on Member States being aware that it is possible to use both Pillar 1 and Pillar 2 to do so without breaching WTO Green Box rules¹¹, a concern

⁹ Beaufoy, G. (2008) *HNV farming: explaining the concept and interpreting EU and national policy commitments*. European Forum on Nature Conservation & Pastoralism <http://www.efncp.org/download/EFNCP-HNV-farming-concept.pdf>.

¹⁰ Peppiette, Z. (2011) Approaches used to identify HNV farmland. Rural Evaluation News, Issue 6, pages 1-6 http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=D5806C1A-E49F-2169-03F6-A814F7D593EE

¹¹ Barnes, A.P., Schwarz, G., Keenleyside, C., Thomson, S., Waterhouse, T., Polakova, J., Stewart, S. & McCracken, D. (2011) Alternative payment approaches for non-economic

often expressed when considering the need to provide higher support to maintain HNV system characteristics.

It is clear not only that a large proportion of Europe's agricultural land is under HNV farming systems, but also that changes in these farming systems have increased since the European-wide changes to the CAP support mechanisms were implemented in 2005. Developing effective support mechanisms for HNV farming systems therefore must be a major consideration in the CAP reform negotiations taking place over the coming months and years.

Farming systems also offer an important scale at which to influence and control agricultural greenhouse gas emissions. Actions to reduce excessive nitrogen use within agriculture are urgently required. European landscapes currently receive 20 M tonnes of reactive nitrogen each year, much of which cascades through the environment, causing water pollution, loss of biodiversity and release of the greenhouse gas nitrous oxide¹². Greenhouse gas emissions also result from livestock farming in the form of methane production. There is a considerable body of research that has identified technically and economically efficient mechanisms for reducing such emissions from agriculture which include avoiding excessive fertiliser applications, more targeted use of inputs to match demands, and diet and genetic manipulation in livestock. An economic assessment of these measures undertaken by SAC¹³ has been used by the UK government in setting forthcoming carbon budgets.

In addition to the benefits that could be achieved in terms of climate change mitigation, such measures would be anticipated to have co-benefits in terms of increased biodiversity and water quality.

farming systems delivering environmental public goods. *Report for UK Land Use Policy Group* (May). Available online at: <http://www.lupg.org.uk/Default.aspx?page=164>.

¹² Sutton, M. et al. (2011) *The European Nitrogen Assessment 2011*, Cambridge University Press; Cambridge.

¹³ Defra/Committee on Climate Change (2008) UK marginal cost curves for the agriculture, forestry, land-use and land-use change sector out to 2022 and to provide scenario analysis for possible abatement options out to 2050, RMP4950, *Report to The Committee on Climate Change*. Available online at:

<http://www.theccc.org.uk/pdfs/SAC-CCC:%20UK%20MACC%20for%20ALULUCF;%20Final%20Report%202008-11.pdf>