

Briefing Paper: The Common Agriculture Policy Health Check

Summary

The final agreement on the CAP Health Check leaves Scotland with a great deal of flexibility on how to take agricultural reform forward. It is possible that it will have almost no impact on Scottish agriculture. However, LINK believes that the status quo is neither in the interest of land managers, nor of the environment. Scottish Government should take a proactive stance on the Health Check and implement beneficial changes now, before they are forced to do so by future reforms.

Scottish Environment LINK laid out its vision for the future of land management funding in its document *Beyond the CAP*¹. LINK believes that the CAP is out of date and in need of radical reform. With the coming EU budget review² and WTO demands, it is increasingly important that subsidies to land managers be properly justified with clear policy objectives. In the long term, LINK would like to see the development of a "Sustainable Land Management Policy" for Europe. However, in the short term, we have identified a number of steps which the Scottish Government should take to move payments towards this ideal. While the agreed CAP Health Check text does not require Scotland to make rapid changes in how subsidies are distributed, it does provide opportunities which the Government could choose to use. In line with our vision, LINK would like to see the following actions:

1. Move towards an area basis for payment of direct subsidies.

The Health Check allows member states who chose to distribute the Single Payment on a historic basis to move towards a flat rate. The historic basis for payments has become irrelevant, as we have moved so far from the reference period (2000-2002). Movement towards an area basis will have the effect of redistributing funding to the less commodity-productive north and west, areas which have the potential for delivering multiple public goods.

2. Ensure that cross compliance is properly implemented and is equipped to address the challenges presented by diffuse pollution, climate change and biodiversity loss.

LINK welcomes the addition of new measures through the Health Check on leaving buffer strips and retaining landscape features. This will go some way to protecting the landscape and water resources. However, for cross compliance to work, it is essential that it is properly enforced. The Scottish Government is currently reviewing cross compliance, and LINK would like to see a proper examination of how it is meeting its environmental aims and where improvements can be made. It is essential that while direct payments exist (they currently make up 70% of all payments to farmers and crofters) they be seen to deliver basic environmental protection.

¹ Scottish Environment LINK (2008) *Beyond the CAP* <http://www.scotlink.org/pdf/LINKBeyond-the-CAPReportSept08.pdf>

² See Evidence from Scottish Environment LINK to Europe and External Relations Committee on Inquiry into the EU Budget Review (15/12/2008)

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3. Introduce new measures through cross compliance and Rural Development Contracts to mitigate for the loss of the environmental functions of set-aside.

It is well known that set-aside provided a valuable resource for wildlife. It also helped protect landscape features, water resources and provided access facilities. It is important that the Scottish Government think of ways these benefits could be retained. LINK would like to see the new option in cross compliance - establishment and/or retention of habitats – used to replace some of the benefits to biodiversity. Options might also be included through Rural Development but without additional funds, this would still lead to a net loss of funding to the environment (as set-aside was always a pillar 1 mechanism).

4. Modulate funds away from pillar 1 into pillar 2 to allow more access to rural development funding.

Since Scotland already uses voluntary modulation, the Scottish Rural Development Programme will not benefit from the compulsory modulation increase across the rest of Europe. In future, Scotland should support a gradual increase of compulsory modulation across the EU and the transfer of direct funds into rural development support. LINK believes support for land management should remain at around its current levels but activities should only be supported where land managers are clearly providing public goods such as biodiversity, water quality and a quality landscape.

5. Increase support for High Nature Value (HNV)³ farming systems through a new national envelope better targeted for this purpose.

The review of the Scottish Beef Calf Scheme showed that it had limited success in reaching its aims of preserving the environmental benefits of livestock grazing and the quality of Scottish Beef. LINK believes that the provisions included in the Health Check to introduce a much more flexible national envelope should be taken up as soon as possible. A new livestock envelope should be set up with the aim of protecting the grazing systems important to biodiversity which are currently under threat as demonstrated by the rapid livestock reductions seen in recent years.

6. Reform LFA support to include meaningful eligibility criteria which target payments better towards HNV areas.

Since LFASS is a pillar 2 mechanism, it was not included in the Health Check, however, the effects of the different support systems cannot easily be separated. The review of LFASS should ensure that it, together with the national envelope, is suitably targeted to benefit those livestock systems which provide the most in the way of public goods.

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³ HNV systems in Scotland are typically low intensity livestock systems associated with semi-natural habitats, which are often species-rich and can be associated with species of conservation importance such as corncrake or black grouse. Extensive HNV management also contributes to the delivery of 'ecosystem services' such as nutrient cycling, water catchment and storage, soil protection and carbon storage.

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