

## Scottish Environment LINK's Response to the First Public Consultation on the CAP "Health Check"

January 2008

**Scottish Environment LINK** is the forum for Scotland's voluntary environment organisations - 36 member bodies representing a spectrum of environmental and associated cultural heritage interests with the common goal of contributing to a more environmentally sustainable society. LINK provides a forum and network for its members; and assists communication between members, government and civic society. Further information on LINK is available at [www.scotlink.org](http://www.scotlink.org). This submission is from Scottish Environment LINK's Agriculture Taskforce.

**Summary:** The CAP distributes some £600 million per year in Scotland, through Pillar 1 (direct support) and Pillar 2 (rural development) payments. Its future is therefore important in determining what happens on the 75% of Scotland's land area that is under agricultural management, and the unique countryside and wildlife associated with it. Scottish Environment LINK believes that the Commission's proposals, although far from radical, may present some opportunities for distributing CAP funding in Scotland in ways that encourage increased delivery of environmental public goods, as a precursor to the more radical reforms anticipated for 2013. However, there are also environmental threats contained within the proposals, not least the proposal to abolish set-aside.

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

#### 1.1 Simplifying the Single Payment Scheme

##### **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?**

Scottish Environment LINK believes that public subsidies should be paid for the production of public goods including biodiversity, landscape and cultural heritage, access, tackling climate change and water quality. Funds from Pillar 1 should be redirected to pillar 2 to provide larger amounts of RD funding, and, ultimately, LINK advocates the development of a single European Sustainable Land Management Policy to replace the existing CAP. As well as our longer-term vision, LINK also has a pragmatic view of what should happen while the Single Payment Scheme exists. A historic basis for payments becomes increasingly irrelevant, the further we move from the reference period. Flat rates of payment are more transparent and justifiable to the public, and sever the link to production, essential to the principles of decoupling introduced in the 2003 mid-term reforms. We would therefore like to see member states encouraged to adjust their SPS model towards a flat rate of support in this interim period.

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

Moving to a flat rate system of support should have the effect of re-distributing pillar one payments on a more equitable basis, decoupled from the productive history of the land. In Scotland, it is likely that there would be re-distribution to the less commodity-productive north and west areas typified by less intensive, lower input systems, which have the potential for delivery of environmental public goods and include areas of High Nature Value. It is important that different models of flat rate payments are explored, so that the circumstances in Scotland can be properly addressed. In the longer term, we advocate a move away from the SPS structure entirely, to a support system based wholly on the delivery of public goods.

**1.2 Cross-Compliance:****What would be the potential outcome of maintaining the cross-compliance at its existing standards?**

Cross compliance has the potential to increase compliance with EU legislation and improve basic environmental practices. Currently, cross compliance standards are failing to deliver on several key concerns, and they need to be improved so they can play a role in addressing the environmental challenges Europe's agriculture faces, including biodiversity loss, water management, and climate change. There are a number of requirements in cross compliance that relate directly to the environment but that are performing poorly and need to be improved. GAEC requirements are often unclear and unenforceable and inspections for cross compliance are infrequent and the inspectors insufficiently trained to be able to recognise breaches. It is important to note that a recent study by DG Agri<sup>1</sup> showed cross compliance in its current form is creating a very marginal burden on farmers with most of these due to livestock identification breaches. Environmental rules are currently so weak, and control levels so low, that any suggestion of watering these down further would risk making cross compliance meaningless. Requirements must be clear to land managers and inspectors. Robust cross-compliance, which secures environmental benefit, is essential if Pillar 1 funding is to have any justification in a decoupled era, when the question "What are we paying for?" is paramount.

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

In order to ensure that cross compliance has environmental benefits, Scottish Environment LINK would recommend the Health Check consider the following amendments:

- The Commission should produce implementation guidelines to assist Member States in implementing Good Agricultural and Environmental Condition (GAEC).
- The basic requirements for all member states for GAEC should be strengthened to include a list of the landscape features, which should be protected, and minimum standards for how this should be carried out.
- The requirements to protect permanent pasture should be strengthened to protect permanent pasture of high environmental quality.

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<sup>1</sup> Directorate-General for Agriculture and Rural Development (DG AGRI): Study to assess the administrative burden on farms arising from the CAP

- “Avoiding the encroachment of unwanted vegetation on agricultural land” should be clarified to ensure it does not restrict member states’ abilities to buffer and expand certain habitats to increase their resilience and help mitigate and adapt to climate impacts.
- As identified by a recent European Commission funded project<sup>2</sup>, there is currently no requirement on Member States to ensure that cross compliance measures address national environmental problems, nor to monitor their environmental impacts. This should be rectified.
- The list of Statutory Management Requirements (SMRs) for cross compliance across Europe should be expanded to include the Water Framework Directive, and in the meantime, key water issues must be adequately addressed through GAEC.

### 1.3 Partially coupled support

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

While Scottish Environment LINK believes that full decoupling is appropriate under most circumstances, we believe that a more flexible, revised Article 69 could be used to support particular types of agriculture which provide environmental benefits and which currently receive insufficient support.

In Scotland, a national envelope has operated for the beef sector since January 2005, in the form of the Scottish Beef Calf Scheme. The accelerating loss of beef cattle from the North and West of the country is a cause of concern in economic and social terms, but also in environmental terms, as the conservation grazing and mixed livestock systems are essential in maintaining particular landscape elements and habitat for some significant species, including many nationally important Biodiversity Action Plan species such as the corncrake (*Crex crex*) and Marsh Fritillary butterfly (*Euphydryas aurinia*). An envelope was created where 10% of Single Farm Payments from the beef sector are re-distributed, with payments made on all beef-bred calves born. Higher payments are made on the first 10 beef calves in a herd, as a crude means of targeting payments towards smaller producers. The Scottish beef envelope does not seem to be adequately addressing its environmental objectives of retaining beef cattle in important areas, partly because it was created with the dual objective of maintaining the overall quality of the Scottish beef herd nationally. The main problem, however, is that the provisions were too restrictive to allow targeting to sub-sectors of the beef sector, geographically within the country, or specifically to achieve environmental objectives.

Increasing the flexibility of Article 69 would allow a more useful beef envelope to be created, properly addressing the environmental problems that can result from loss of cattle from economically and environmentally marginal areas. The use of national envelopes in other sectors should also be considered. In particular, an arable national envelope could be used to retain the environmental benefits of set-aside.

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<sup>2</sup> Farmer, M., Swales, V., Kristensen, L, Nitsche, H. and Poux, X. (2007) Cross Compliance: Practice, Lessons and Recommendations, Deliverable D24 of the CC Network Project, SSPE-CT-2005-022727.

## 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?**

Scottish Environment LINK does not see capping as the best way to address the problem of the uneven distribution of payments. We would like to see payments distributed according to the public goods provided with the level of payment depending on the quality and quantity of goods. In the short term, before the Single Payment Scheme is phased out, we would support caps on large payments provided that the significant funding that this would release was redirected towards payments for environmental and other public goods.

### **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?**

Upper thresholds should be introduced in such a way as to discourage the splitting of land holdings.

### **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?**

A minimum level of payments has the possibility to affect significant numbers of crofters and small-scale farmers in Scotland. Given that these types of farming often produce the highest levels of public goods, we would not support a reduction of funds in these areas.

## 2 Grasping new opportunities and improving market orientation

### 2.2 Cereals set-aside

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

Scottish Environment LINK acknowledges that the proposal to abolish set-aside as a production control mechanism makes sense now that support payments are no longer tied to production.

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

Some of the benefits of set-aside could be delivered through voluntary rural development mechanisms in arable areas. However, Scotland's rural development funding pot is comparatively small, and must address many other objectives. In the past, £11 million per year of funding has been paid out in set-aside entitlements in Scotland. A concomitant increase in rural development funding would be required if set-aside benefits were to be achieved through this route without compromising the other rural development objectives agreed for the Scottish Rural Development Programme. Rural Development funds are also unlikely to provide the geographical spread afforded by set-aside due to its compulsory nature. A possible solution, advocated by Birdlife International, is the introduction of a system of "Environmental Priority Areas" across Europe, as an instrument that requires all farmers to set aside a minimum percentage of their land for basic environmental management. This

could operate as a stand-alone scheme, or as part of cross-compliance (as, for example, already implemented in France). It would require setting aside a small percentage of productive farmland and managing it to provide environmental goods such as biodiversity and water quality protection. Other options, such as the use of national envelopes for the arable sector, should also be explored

## 3 Responding to New Challenges

### 3.1 Managing risk

**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?**

Publicly funded risk management measures should be strictly limited to risks that cannot be foreseen and where land managers' production choices have no relevance for the risk. Risk management should not however become a new way of providing hidden production support, pushing farmers toward unsustainable production patterns. Risk management funds should not be paid at the expense of other aims of the RD programmes.

### 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?**

Current Cross Compliance rules and RD schemes have proved insufficient to address the ongoing challenge of stopping the decline of biodiversity. In Scotland, a shortfall of at least £43m per year has been identified in the funds needed to meet biodiversity targets for species and habitats (from the UK Biodiversity Action Plan). Additional funding to RD and stronger cross compliance conditions will be necessary to address this and to meet other objectives such as water management, climate change and protecting the landscape and historic environment. The response to climate change needs concerted action on both adaptation (ecological network development and increasing the habitats available on farmland) and mitigation (cutting GHG emissions from agricultural sources). Scottish Environment LINK considers that given the recent evidence suggesting that the contribution of biofuel crops in reducing global warming is limited, public support is currently not appropriate in this area. We are concerned that support for biofuels could encourage increased intensification of production of biofuel crops making biofuels unsustainable both in terms of global warming gases and land use.

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

Tackling climate change, water management and biodiversity loss, requires action across whole landscapes. This includes retention, protection and enhancement of existing semi-natural habitats, linking and buffering of areas of high biodiversity value through habitat creation, buffering water bodies and reducing the intensity of land use in the intervening matrix. Strengthening of GAEC (as described in section 1.2) and additional funding to Rural Development could help achieve these aims.

In the longer term, Scottish Environment LINK advocates the development of a single European Sustainable Land Management Policy. This would be used to support

positive land management activities that deliver sustainable land management and could in turn underpin profitable farm businesses and prosperous rural communities. Rather than most of the money in the CAP being paid in the form of decoupled production payments, attached to legal compliance, in future payments would be targeted to those undertaking a wide range of positive actions that deliver sustainable land management and the public goods. Goods could include biodiversity; landscapes and the historic environment; water quality; greenhouse gas reduction and climate change mitigation.

### 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?**

Scottish Environment LINK supports the Commission proposal to increase compulsory modulation across Europe, although the increase to 13% by 2013 falls far short of previous Commission thinking that 20% would be required to adequately boost rural development objectives. It is vital, however, that Scotland's Rural Development Programme is not compromised as a result. A point-for-point reduction in Scotland's voluntary modulation rate as compulsory modulation increases would result in an unacceptable net loss in rural development funding<sup>3</sup>. Scotland's rural development funding, in relation to farmed area, is already the lowest in Europe, and cannot be further undermined. We would therefore recommend that the option to use voluntary modulation must be maintained.

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

Scottish Environment LINK would expect to see the extra funds raised from increased compulsory modulation deployed within Axis II of the EAFRD for agri-environment measures. This would help to address the shortfall in funding for rural development which was a result of the EU Financial Perspectives decision of 2005. Given both the current and new challenges facing Europe's environment, a substantial increase in funding is needed to deliver the changes to land management that are required. It will be particularly important to target agri-environment schemes at traditional farming systems that manage and enhance Europe's high quality landscapes and which maintain important wildlife habitats and historic environment assets.

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<sup>3</sup> This is because a) the first €5,000 of each Single Farm Payment is exempt from compulsory but not voluntary modulation, and b) only 80% of compulsory modulation receipts are likely to be returned to Scotland, whereas currently 100% of voluntary modulation is retained within the country.