

REFORM OF THE EU COMMON AGRICULTURAL POLICY

Summary:

The forthcoming reform of the Common Agricultural Policy – and its subsequent implementation in Scotland - will have a significant impact on Scottish agriculture and the environment. LINK supports the need for CAP reform but considers the proposals published in October do not go far enough to ensure the provision of environmental goods and services that the market fails to deliver. This requires a substantive shift in funding from Pillar I to Pillar II. Regarding the current proposals, LINK wishes to see: a regional model of support for the Basic Payment Scheme which actively favours re-distribution (albeit progressively) towards the more economically disadvantaged but environmentally and culturally important farming and crofting systems in the north and west of Scotland; the introduction of meaningful 'greening' measures in Pillar I that will deliver environmental outcomes; and, increased funding for rural development in Scotland (through EU funding and voluntary modulation) and a future SRDP that delivers for the environment.

Introduction

On 12th October 2011, the European Commission published its formal proposals for CAP reform covering the period 2014-2020¹. There now follows a protracted period of negotiation between the 27 Member States of the EU, the European Parliament and the Commission before a final reform package is agreed. The outcome of these negotiations will have a major bearing on the future of agriculture in Scotland – and hence on the environment - and the Scottish Government has already made its views known on a number of key issues.

Scottish Environment LINK is the forum for Scotland's voluntary environment organisations. Many of LINK's 30 member bodies have a particular interest in agriculture and want to see a CAP reform which leads to more sustainable farming systems and practices and the enhanced provision of public goods and services from agricultural land management. LINK's view is that the only valid purpose of taxpayer's support for the agricultural sector is to secure the provision of those goods and services which the market fails to deliver. Scottish Environment LINK has contributed to a UK Joint Links position paper [Crunch Time for CAP](#).

As negotiations proceed, LINK will use its membership of the Scottish Government's CAP Stakeholder Group - and other avenues of communication - to offer views on key elements of the reform proposals. At this stage of the process, LINK wishes to offer its views on three substantive elements of the proposals, namely:

- the Basic Payment Scheme (BPS) and the establishment of a regional model of support;
- the payment for agricultural practices beneficial for the climate and the environment;
- the European Agricultural Fund for Rural Development (EAFRD).

In considering these issues, LINK wishes to remind the Scottish Government that the Land Use Strategy commits it to: '*Use the Land Use Strategy Objectives to influence negotiations on CAP reform.*' These objectives are stated as:

- Land based businesses working with nature to contribute more to Scotland's prosperity
- Responsible stewardship of Scotland's natural resources delivering more benefits to Scotland's people

¹ http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm

- Urban and rural communities better connected to the land, with more people enjoying the land and positively influencing land use.

LINK believes these objectives demand a radical overhaul of current CAP support regimes and a move away from the status quo.

The Basic Payment Scheme

LINK wishes to see the Scottish Government implement a regional model of support for the BPS which actively favours re-distribution (albeit progressively) towards the more economically disadvantaged but environmentally and culturally important farming and crofting systems in the north and west of Scotland. To this end, the number of regions within Scotland should be minimised.

The European Commission is proposing that the BPS will replace the Single Farm Payment from 2014 and that the value of entitlements should converge at national or regional level towards a uniform value. This will be done progressively to avoid major disruptions. The Commission's objective is to see a more equitable distribution of support within and across Member States. LINK supports this move to a so-called 'regional model of support'; we consider that it has the potential to deliver an uplift in support for High Nature Value farming and crofting systems which, under the current historic model applied in Scotland, are financially disadvantaged. We agree however that a progressive move from the historic to the regional model is necessary in order to give farmers and crofters time to adjust.

The historic model of support is clearly no longer tenable. The amount of support received by a farmer today is based on agricultural production and output in a historic reference period and bears no relationship to current activity or financial need. Currently, farmers in the most productive areas of the country with the greatest commercial opportunities – arable farmers in the east and dairy farmers in the south and west – who depend least on public support receive the highest levels. Conversely, farmers in the least productive areas operating in harsh climatic conditions and at a distance from markets – livestock farmers in the north and west – who depend most on public support receive the lowest levels. LINK believes this is not only a perverse distribution of public money but one which fails to secure the best provision of public goods and service such as the maintenance of wildlife and landscapes, clean water and soil carbon storage. Whilst all farming systems across Scotland have the potential to deliver such public goods to some extent, it is extensive livestock farming systems² in the north and west which are most closely associated with such goods currently.

Moving to a regional model of support should, by its very nature, result in a re-distribution of support from more intensively farmed areas to less intensively farmed ones. In Scotland, this could result in a shift in support from the east and south to the north and west and result, potentially, in a more socially equitable and environmentally beneficial distribution. However, the definition of a 'region' will determine the true extent of re-distribution. The Commission proposals are to allow Member States to decide whether to apply the BPS at national or regional level and, if the latter, to define regions '*...in accordance with objective and non-discriminatory criteria such as their agronomic and economic characteristics and their regional agricultural potential, or their institutional or administrative structure.*' It is highly likely that, as now in the UK, each of the four countries will be treated as distinct regions. But, there have already been suggestions in Scotland by farmers' representatives and others to pursue the regional approach further, including calls to divide Scotland into numerous sub-regions. The underlying rationale of such calls is to limit the redistributive effects of moving to a regionalised support system. The more regions there are designated, the less will be the redistribution between regions (although some redistribution will take place within regions).

² Such systems may include small scale arable cropping e.g. on the machair

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Defining numerous regions would not only be in direct conflict with the Commission's objectives for a more equitable distribution within Member States but would very likely be complex and administratively costly. LINK wishes to see the Scottish Government implement a regional model of support which minimises the number of sub-regions and which actively favours re-distribution (albeit progressively). This would be more socially equitable and environmentally beneficial. Our argument is directly counter to that offered by Brian Pack in his 'Inquiry into the future of agricultural support in Scotland' and which the Scottish Government appear to have accepted. We can see no economic rationale for giving high levels of taxpayer support to larger, commercial businesses which benefit from economies of scale and are located closer to markets for their produce. The European Commission endorses this view stating, with reference to other elements of the reforms: *'Due to economies of size, larger beneficiaries do not require the same level of unitary support for the objective of income support to be efficiently achieved. Moreover, the potential to adapt makes it easier for larger beneficiaries to operate with lower levels of unitary support.'* We wish to make it clear that we are not arguing for the wholesale removal of public support from larger, commercial farms but rather a reduction in the amount of basic income support in order to allow an uplift in support elsewhere. We endorse public support for such larger, commercial businesses, for example through agri-environment payments, where they are delivering non-market public goods.

Regarding the active farmer test, we do not believe that the proposals are necessary or workable. There is already provision for monitoring activity related to basic payments through Good Agricultural and Environmental Condition (GAEC) of cross compliance so we view the introduction of an active farmer system to be unnecessary and bureaucratic. If there is a need to ensure a certain level of activity or compliance to raise the bar on active farming, we advocate strengthening GAEC measures and/or implementing a risk based sampling and assessment programme for monitoring GAEC. This would make it more difficult for non-farming interests who are also not managing land for conservation priorities to be eligible for support.

LINK looks forward to contributing further to discussions on moving to a regional support model and how this is best achieved, and on other aspects of the BPS, over the coming months.

The payment for agricultural practices beneficial for the climate and the environment

The European Commission states that *'...one of the objectives of the new CAP is the enhancement of environmental performance through a mandatory 'greening' component of direct payments.'* LINK supports efforts by the Commission to further green the CAP but we believe the best way to achieve this would have been to continue with a progressive transfer of funds from Pillar I to Pillar II. With no specific proposals in this regard – apart from allowing further voluntary modulation – the CAP proposals are weak. As the only option on the table, 'greening' direct payments must be made to work.

We therefore encourage the Scottish Government to:

- ***seek some flexibility in the crop rotation requirement to reflect local farming practices;***
- ***pursue a more targeted form of protection for permanent pastures of high environmental value and to remind farmers that the ploughing of uncultivated land is subject to Environmental Impact Assessment regulations, both during this period and beyond whatever changes may ensue as a result of the CAP reform;***
- ***support Ecological Focus Areas and call for their extension to apply to 10% of all eligible farmland including permanent pasture.***

We have a number of comments to make on the three elements of the green payment:

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Crop rotation

We understand the primary intention of this measure is to avoid monoculture of crops and support this objective. However, we have concerns that the application of this measure in Scotland, as it is currently specified, might have some negative environmental impacts. We are particularly concerned that this might act as a disincentive for cropping for mixed farmers who currently grow relatively small hectares of, for example, spring barley or fodder crops. Such farmers may, if faced with a requirement for a three crop rotation, give up growing such crops and rely on bought in feed instead. Given that such crops (and related stubbles) can provide an important source of food for birds and other wildlife, as well as nesting and breeding sites, the loss of such cropping would be detrimental. We encourage the Scottish Government to seek some flexibility in this requirement that reflects local farming practices.

Maintaining permanent grassland

In broad terms, a requirement to maintain permanent pasture and prevent large-scale loss to arable production is desirable in order to, for example, maintain soil carbon stores and prevent habitat loss. However, we have concerns that this requirement is not sufficiently specified in order to protect the most environmentally important grasslands or targeted to deliver any specific environmental outcomes. At best, it will maintain the status quo in relation to grassland cover and, at worst, it will prevent the re-introduction of arable cropping where it would be environmentally beneficial or prevent farmers from re-seeding some relatively intensively managed pastures that are of low biodiversity value but not part of an arable rotation i.e. older than 5 years. We are also concerned that the Commission has specified 2014 as the reference date for declaring areas of permanent pasture as this may encourage some farmers to plough permanent grasslands between now and then (subject to cross compliance provisions), some of which could be environmentally important. We urge the Scottish Government to pursue a more targeted form of protection for permanent pastures of high environmental value. We also ask the Scottish Government to remind farmers that the ploughing of uncultivated land is subject to Environmental Impact Assessment regulations, both during this period and beyond whatever changes may ensue as a result of the CAP reform.

Ecological focus areas

The Commission proposal that farmers will have to ensure that at least 7% of their eligible hectares is ecological focus area (EFA) is the most positive of the three greening components with the potential to deliver meaningful environmental outcomes. Some farmers' representatives have referred to EFAs as 'set-aside' since fallow land is included in the list of options; we believe this is a disingenuous and deliberately unhelpful interpretation of this measure. Rather than taking productive land out of production, LINK views EFAs as a means of supporting the maintenance of existing on-farm habitats that would otherwise be excluded from support. For example, hedgerows, field margins, small areas of scrub and gorse, woodlands and unproductive field corners etc should all be eligible for support under this measure in our view. To this end, we believe that EFAs should not just apply in cropped areas but also to areas under permanent pasture thereby bringing livestock farmers within its scope. We consider that the vast majority of farmers in Scotland would easily meet this requirement and that increasing the requirement to 10% of the eligible hectares would not be unduly onerous. We urge the Scottish Government to support EFAs and call for their extension to apply to at least 10% of all eligible farmland including permanent pasture.

The European Agricultural Fund for Rural Development

We support the Scottish Government's call for an increased share of rural development funds for Scotland and urge it to make the case for this based on clear and defined environmental and social need. To support this case, current domestic rural development spending must be maintained and ultimately increased, not cut as proposed by the recent spending review. We call on the Scottish Government to support the proposal for voluntary modulation and apply it and reject 'reverse modulation'. We welcome the continuation of key measures such as agri-environment, forestry, organic farming and support to areas facing natural or other specific

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constraints, in order to deliver environmental goods and services. LINK looks forward to contributing to the development of the next SRDP in due course.

EAFRD – or Pillar II of the CAP – has a vital role to play in supporting and encouraging the delivery of public goods and services by agriculture. But EAFRD, as a whole, is severely underfunded in comparison to the environmental and social needs in rural areas. Scotland fairs poorly in the allocation of EU rural development funds; the UK receives the lowest share of all EU Member States and within the UK, Scotland receives the lowest share of all four UK countries. LINK has long argued for a greater shift in resources away from Pillar I of the CAP and into Pillar II and for an increased share for Scotland of EU funds. In future, financial allocation of Pillar II funds to Member States is to be based on objective criteria and on historic spending patterns. We support the Scottish Government's call for an increased share of funds for Scotland and urge it to make the case for this based on clear and defined environmental and social need. Part of demonstrating this need, requires the Scottish Government to maintain domestic rural development spending under the current Scotland Rural Development Programme (SRDP) and not cut it as proposed by the recent spending review. Cutting expenditure now sends the wrong signals to Brussels about the level of future need.

Whilst Scotland needs to make the case for an increased share of EU rural development funds, we are not optimistic that any new allocation formula will result in a significant uplift in funding, especially if current domestic expenditure is not maintained and ultimately increased. On this basis, we call on the Scottish Government to support the proposal for voluntary modulation – which will allow up to 10% of Pillar I funds to be shifted into Pillar II – and to make use of this option if included in the final reform package. Conversely, the proposal that certain Member States, including the UK, should be allowed to transfer funding from Pillar II to Pillar I – 'reverse modulation' – should be rejected outright.

The proposed EAFRD regulation sets six new priorities for rural development funding. We broadly support these priorities however, we have concerns that the introduction of new priorities e.g. for innovation, risk management in agriculture and moving to a low carbon economy will place additional demands on already overstretched budgets. Without new resources for EAFRD, we believe that Member States will be required to 'prioritise the priorities' and will be unable to deliver fully against EU objectives or to fully meet legal obligations such as those in relation to biodiversity or climate change.

The proposals maintain a number of existing measures such as agri-environment and forestry and introduce a number of changes. We support the on-going commitment to the agri-environment measure (now called agri-environment-climate payments) and the recognition of their role in climate change mitigation and adaptation, the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity. We welcome especially the intention that high nature value farming systems be given special attention. The requirement that Member States must allocate at least 25% of funding to these payments, organic farming and payments to areas facing natural or other specific constraints is positive. We also welcome continued support for: Natura 2000 areas and to help meet the requirements of the Water Framework Directive; organic farming; forestry expansion and management; and, areas facing natural or other specific constraints in order to maintain the countryside and promote sustainable farming systems. The extension of payments for co-operation, for example for collective approaches to environmental projects and practices, is very positive and has the potential to support the delivery of ecosystem services at landscape scale. We also welcome the inclusion of Leader as a compulsory measure.

The introduction of a risk management measure to cover, for example, crop insurance, and of an income stabilisation tool, is much less welcome. If the aim of the BPS in Pillar I is to support farm incomes in the face of price volatility and help stabilise incomes, we see no reason why specific support for similar objectives should also be included in Pillar II, especially given the financial constraints it operates under.

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The next SRDP for the period 2014-2020 will need to be developed by the Scottish Government within the framework of EU regulations and in consultation with relevant stakeholders. LINK members look forward to engaging with the Government in this process and to contributing ideas on the objectives and content of the programme. There has already been some discussion on the next SRDP through Workstream 3 of the CAP stakeholder group and LINK has submitted initial written comments to this.

Conclusion

Over the course of the next 12-18 months, negotiations will proceed on the European Commission's CAP reform proposals and the shape of the final package will become clearer. Whatever the EU framework adopted, there is likely to be a considerable amount of subsidiarity which will allow Member States (and regions within) to define the exact nature of the changes to take place. It will be decisions taken by the Scottish Government therefore that will be the major determinant of the agronomic and environmental impacts felt in Scotland, within the broad scope of moving to a regional model of support, defining greening options and developing a future rural development programme. There will be considerable pressure on Ministers to maintain, as far as possible, the status quo in Pillar I by minimising redistribution and applying limited greening requirements. LINK calls on the Scottish Government to resist this pressure and to implement a reform that will enhance support to the most vulnerable and high nature value farming systems in Scotland and lead to greater sustainability elsewhere. Regarding Pillar II, there is likely to be broader and more unified support across all stakeholders for increased rural development funding and an SRDP that delivers clear outcomes. The demands on the next SRDP will be considerable however and LINK calls on the Scottish Government to prioritise the protection and enhancement of the natural and historic environment in the targets and measures selected.

This briefing is supported by the following members of Scottish Environment LINK:

- Archaeology Scotland
- Woodland Trust Scotland
- John Muir Trust
- The Association for the Protection of Rural Scotland
- National Trust for Scotland
- Scottish Campaign for National Parks
- Plantlife Scotland
- Buglife
- Ramblers Scotland
- RSPB Scotland
- Scottish Wildlife Trust
- Froglife
- Scottish Wild Land Group
- Scottish Badgers
- Bumblebee Conservation Trust
- Butterfly Conservation
- Scottish Allotments and Gardens Society

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