

## **The RSPB's views on the Common Agricultural Policy**

### **Why is the RSPB interested in the Common Agricultural Policy?**

Europe's farmed environment, which covers about half of the EU's entire land area (and three quarters of the UK), is in crisis. Farmland birds have declined by 50% over the past 25 years, agricultural pollution is still widespread and soils are degrading. Many of these problems are closely associated with the rapid intensification in the post Second World War period, where the use of chemical inputs such as pesticides and fertilisers greatly increased and agricultural habitats were either lost (as in the case of many hedgerows and farm ponds) or their environmental value was lost through changes to land management (for example by the conversion of species-rich hay meadows to intensively managed grassland and the drainage of seasonally wet fields, often an important source of food for many wading species of bird).

The Common Agricultural Policy (CAP) is one of the biggest influences on land use in the EU and for much of its existence (the CAP came into force in 1962), actively drove agricultural intensification via production linked payments. While the policy was very successful in increasing the amount of certain commodities produced (an extremely important issue in the post war decades), it became clear that it came with unacceptable environmental, social and financial costs.

Whilst reforms to the CAP over the last 20 years have removed some of the most harmful payments and introduced some important environmental elements, the CAP is not its meeting its potential (indeed its duty) to address environmental problems by helping farmers to protect and restore wildlife and natural resources alongside their food production businesses.

As a public policy entirely funded by the taxpayer, the CAP should be used to incentivise land management that secures wider societal benefits, including the provision of environmental 'public goods' like biodiversity, which the conventional market fails to properly reward. As the CAP costs EU taxpayers €1bn a week, it is even more important that this money is used to support farmers to adopt more sustainable farming practices.

The RSPB, along with other environmental organisations in the UK and across Europe, has long maintained that the CAP should be reformed so that all its payments (and not just a small proportion as currently) reflect the 'public money for public goods' principle.

### **How is the CAP's budget spent?**

The CAP's considerable budget is split between 2 'pillars'. Pillar 1 receives the lion's share of the budget (75%) and is spent on 'direct payments' which are linked to either how much land a farmer has or to how much food they produced in the past. There are some limited requirements attached to this funding, known as 'cross-compliance' rules, which largely reflect existing legal requirements around animal health, welfare and the environment, but also include some basic good farming practices, like taking steps to minimise soil erosion and maintaining hedgerows.

The remaining 25% of the CAP budget is spent on Pillar 2; also known as the Rural Development pillar. Each EU Member State spends their Pillar 2 funding via Rural Development Programmes, which include a variety of measures designed to enhance the vitality, environmental quality and economic performance of rural areas. Pillar 2 funds environmental measures which support farmers to adopt more sustainable, wildlife friendly practices. These 'agri-environment schemes' are a fundamentally important part of the CAP and play a key role in helping the EU work towards its own target to halt and reverse biodiversity declines.

The overall CAP budget is divided between the 28 EU Member States and is a political, rather than objective process, determined as part of the larger EU Budget (or 'Multi-annual Financial Framework'). For historical reasons linked to the Thatcher administration and the UK Rebate, the UK continues to receive a very low Pillar 2 allocation.

Member States have the ability to transfer, within set limits, funds between the two CAP pillars. Until the 2013 reform round, such transfers (generally referred to as 'modulation') were restricted to transfers from Pillar 1 into Pillar 2. The RSPB strongly supports this type of modulation as it allows Pillar 2, which is inadequately resourced to tackle the suite of environmental challenges facing EU countries, to receive additional funds. However, from 2014, Member States will also have the ability to transfer funds from Pillar 2 into Pillar 1 – effectively reversing a trajectory of reform which steadily increased the role of, and funding for, Rural Development.

### **How does the CAP need to change?**

The RSPB believes that all CAP payments should be explicitly linked to the delivery of environmental public goods in order to propel a rapid, and much needed, transition towards more sustainable land management.

In their current form, Pillar 1 direct payments are a very inefficient use of public money as they do not 'buy' the level of societal benefit you would reasonably expect. As an example, farms in lowland England receive around £200 per hectare every year from direct payments but only have to respect basic cross compliance requirements in return. Evidence<sup>1</sup> suggests that by acting as an artificial buffer to market forces, direct payments also impede farmers' ability to develop innovative and market-focussed business. Whilst direct payments do form an important income stream for many farmers, particularly those in the uplands, they cannot be justified in their current form.

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<sup>1</sup> Report for the European Parliament's Committee on Agriculture and Rural Development (2010) The Single Payment Scheme after 2013: New approach-New targets. IP/B/AGRI/IC/2009\_038

Whilst the RSPB does not support the continuation of direct payments, there is more than enough evidence to justify keeping their funding within the agricultural sector. Research<sup>2</sup> suggests that the level of funding required to deliver the EU's environmental objectives on agricultural and forested land is in the region of £43bn (€50bn) per year – very close to the CAP budget overall. However, Pillar 2, which is best equipped to support farmers and land managers to address environmental challenges, will only receive around €12bn a year under the new CAP, which runs from 2014-2020.

The entire CAP budget should be used to support farmers to adopt more sustainable land management practices which not only benefit wildlife and the wider environment (and thus deliver the environmental public goods that society needs), it would also help protect the long term ability of EU farming to produce food by protecting the raw materials necessary for food production – our soils, water and 'functional' biodiversity such as pollinating insects.

Re-targeting CAP support towards environmental objectives would also address the pressing issue of High Nature Value farming, which is in rapid decline in much of the EU and includes many of the UK's most economically vulnerable upland systems. It would also benefit the Natura 2000 network of protected sites, many of which depend on sensitive farming methods.

#### **What progress was made in the 2013 reform?**

The CAP operates in 7 year cycles and in 2011, just after halfway through the 2007-2013 CAP, the European Commission launched its proposals for reform. The RSPB, and many other environmental stakeholders, welcomed assurances that the 2014-2020 CAP would be a greener policy. Whilst we would have preferred this to be secured through further transfers of funds from Pillar 1 into Pillar 2, we pragmatically recognised that there was limited political appetite for this across the EU. Therefore, we cautiously supported proposals to 'green' a proportion (30%) of Pillar I direct payments, by attaching a number of new environmental requirements. This support was however conditional on meaningful greening measures being secured through the CAP reform process.

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<sup>2</sup> CCRI (2010) Estimating the incidental socio-economic benefits of environmental stewardship

Unfortunately the final political deal, agreed after almost 2 years of position development and debate between the European Parliament and Member States (via the Council) was extremely disappointing and completely failed to deliver a greener CAP.

- 'Greening' requirements were massively watered down, particularly the measure we viewed as having real environmental potential - Ecological Focus Areas (EFA) - which would require arable farms to manage a percentage of land for environmental benefit. From the outset, we maintained that the percentage should be no less than 7%, that only environmentally beneficial land types should be able to count towards the 7% and that nobody should be exempt from the EFA requirement. However the final deal failed to meet any of these points. EFAs will start at 5% and will only rise to 7% if the Commission can demonstrate real environmental delivery when they review the measure in 2017. Crop production can now be included in EFA (entirely undermining the whole point of EFAs) and a whole suite of exemptions has been applied, which means that at least 30% of all EU farms will not be required to implement EFAs at all.
- Cross compliance requirements have also been watered down: Key elements of the Birds & Habitats Directives were removed and decision makers soundly rejected the inclusion of new, highly relevant and much needed, environmental requirements. From a legislative (SMR) point of view this included the Water Framework Directive and the Sustainable Use of Pesticides Directive. From the 'basic good practice' point of view it included the rejection of a measure to protect wetlands and carbon rich soils.

This means that direct payments will continue to be distributed with few strings attached and the opportunity to green the CAP has effectively been squandered.

BUT, whilst the EU framework is exceptionally poor, Member States will have a significant degree of flexibility in implementing the new rules and in the UK, key CAP decisions will be taken by Agriculture Ministers across the four UK countries. Therefore, the RSPB will continue to work hard to convince these Ministers to make the best of a bad deal and use the flexibility they have been given to protect and improve the natural environment across both Pillars of the CAP.

**The RSPB is calling for UK governments:**

- To commit to maximum funding transfers from Pillar 1 into Pillar 2 (Rural Development).
- To soundly reject any transfer of funds away from Pillar 2.
- To prioritise spending on targeted environmental measures in Rural Development Programmes, particularly agri-environment schemes.
- To implement new 'greening' requirements in a way which secure tangible environmental benefits.