

National Association For Areas Of Outstanding Natural Beauty (AONBs) - Comments On The Reform Of The Common Agricultural Policy (CAP) Towards 2020

The National Association for Areas of Outstanding Natural Beauty (AONBs) is a voluntary body in the United Kingdom whose membership includes all the AONB Partnerships in England and Wales, many of the local authorities with statutory responsibility for AONBs, the Trust which manages AONBs in Northern Ireland, as well as a number of voluntary bodies and individuals with an interest in the future of these special areas.

A number of AONBs may have responded individually to this consultation and the comments of the NAAONB should be seen as supportive and supplementary to these.

Thank you for the opportunity to comment on this document.

AONBs are areas of countryside in England, Wales and Northern Ireland which have been designated by the UK government for their special and outstanding landscape qualities. They are recognised by IUCN as Category V protected landscapes. AONBs include a wide spectrum of different types of landscape and areas of high biodiversity. Central to their special qualities is land management for farming and forestry and vibrant local communities. The CAP, in particular measures under Pillar 2, has provided vital support in sustaining these areas and their environmental qualities. The National Association for AONBs therefore has a direct interest in proposals for CAP reform.

The policy challenges

There are a number of policy challenges, including that:

- Europe's farmers can make their contribution to meeting the growing food needs of a rising world population;
- Natural resources of soil, water and biodiversity are properly safeguarded and past damage to these resources reversed;
- Farmers are able to adapt to climate change and make their contribution to climate change mitigation through the way they farm;
- The products from land management – food, fibre and other products – are of the highest quality, meet welfare standards where appropriate, and are available at reasonable prices;
- Land management continues to support the wider rural economy and helps sustain vibrant rural communities;

- The rural economy is further diversified.

These policy challenges need to be met across all rural areas. For farming this means that increases in production must go hand in hand with environmental protection and enhancement.

In reviewing the policy reform scenarios, a key concern should be the extent to which the scenarios would support these policy challenges.

Principles for inclusion in the new package

It is noted that it is envisaged that:

- Direct payments (Pillar 1) will be retained through the provision of basic income support, linked to cross compliance;
- Rural development measures (Pillar 2) will be retained promoting competitiveness in the agricultural sector, improving the environment and the countryside, and encouraging the balanced development of rural areas

Yet the balance between the measures varies under the three policy scenarios.

The consultation document says that all three policy reform scenarios respond to the objectives of the reform: what distinguishes them is the weight they give to particular objectives, the way of achieving them and their expected impacts. It is claimed that all three scenarios would contribute to achieving the Europe 2020 strategy with its three mutually reinforcing priorities:

- **sustainable growth** by promoting resource efficiency, maintaining the food, feed and renewables production base, increasing competitiveness, providing environmental public goods, and fighting climate change and biodiversity loss;
- **inclusive growth** by unlocking local potential, diversifying rural economies, developing local markets and opening up alternative opportunities to accompany agricultural restructuring;
- **smart growth** by supporting innovation, technology and skills, improving uptake of research, and developing high value added and quality products.

Views on the three policy scenarios

Scenario 1: the adjustment scenario

This scenario continues the current policy path of gradual adaptation.

The focus would remain on income support for farmers through the Single Payment Scheme but with the payments better harmonised across the EU, accompanied by a strengthening of rural development policy to encourage resource innovation and efficiency, and a streamlining of market measures. It is envisaged that a limited increase in funds to Pillar 2 would be available for climate change, water, biodiversity and renewable energy actions.

The view of the NAAONB is that this policy scenario is an inadequate response to the policy challenges and would be insufficient to deliver the EU 2020 strategy.

Scenario 2: the integration scenario

This scenario presents a thoroughly revised policy framework, although the current balance between Pillar 1 and Pillar 2 would be maintained.

In summary, the Single Farm Payment would continue to provide basic income support. This however would be capped to avoid large payments to single beneficiaries and a new scheme for small farms would be introduced. Support payments would be supplemented with additional payments targeting EU-wide environmental issues (in effect “greening” Pillar 1). In addition, Member States would be able to compensate for specific natural constraints from Pillar 1 resources, for example in the UK the Less Favoured Areas.

Rural development measures under Pillar 2 would be more tightly targeted with an emphasis on outcomes and aligned with priorities in the Europe 2020 strategy.

Market measures would be re-enforced as a safety-net.

The view of the NAAONB is that this policy scenario provides a sounder basis for delivering on the policy challenges. In particular, the concept of compulsory additional aid to ensure the delivery of a basic range of public goods as part of Pillar 1 is welcome, provided that resources for rural development under Pillar 2 are still able to grow. A significant Pillar 1 support payment available to all farmers is also important because of the link to cross compliance and to maintaining land in Good Agricultural and Environmental Condition; but all of Europe should move to a flat rate area payment as soon as possible, differentiated by region, to reflect the new objectives for Pillar 1.

Under Pillar 2, a more targeted approach is endorsed with support focused on the environment, climate change, restructuring and innovation, and to enhance regional and local initiatives. There should be encouragement for action which delivers across all axes of rural development programmes, for simplification of application processes and for the involvement of a wider range of participants. In the UK, managers of protected landscapes have found it very difficult to access RDP funds because of the complexity.

The recognition of the need to continue to provide supplementary support for all farmers in areas of specific natural constraints is welcome: because of its general application in such areas we agree this is funding which is appropriate under Pillar 1. The recognition of the need to provide special help for small farms is also welcome, but we note that it is unlikely that such support would be applicable or appropriate in England and Wales where “commercial holdings” generally exceed the threshold size for small farms.

Scenario 3: the re-focus scenario

This scenario assumes that production capacity can be maintained without support and that payments should be gradually refocused on delivering environmental, climate change and rural development under Pillar 2.

In summary, the Single Farm Payment would be progressively phased out with a parallel abolition of remaining market measures. Funding under Pillar 2 for rural development measures would be increased significantly and redistributed between Member States based on objective criteria. The focus of increased funding would be environmental and climate change issues supported by regional strategies to assure appropriate implementation at a local level.

Under this scenario there would be significant overall CAP savings for the EU budget.

The view of the NAAONB is that current low profitability in the agricultural sector and risks of continuing commodity price volatility point to a continuing need for basic income support to provide income stability and confidence to invest. This is recognised in the EC consultation which points to a risk of production intensification in the most competitive regions in order to receive adequate market income and that this could be at the expense of environmental objectives. There is also a clear need to maintain income support in areas which are marginal for farming, such as the UK uplands, where income support is necessary for viability. It would not be acceptable to look simply to national policies as a source of compensation for income losses as a result of phasing out Pillar 1 payments. There could be a

particular problem in the UK where voluntary modulation has been necessary in order to build up an adequate Pillar 2 budget. Rapid cuts in Pillar 1 if accompanied by a phasing out of voluntary modulation could put existing Pillar 2 budgets at risk.

Views on to the specific consultation questions

Question 1

The objectives of the reform are ambitious. Scenario 1 is an inadequate response and likely to fail to deliver the scale of the ambition. Scenario 2 is favoured as scoring positively against all the objectives of the reform: it would be improved if the resources for Pillar 2 could be expanded. Phasing out of the single payment system under Scenario 3 is considered to pose excessive risks given the need to ensure a degree of income stability. In addition, for the environment considerable value is attached to cross compliance which would be lost if increasing numbers of farmers cease to claim their entitlement as the value of the payment falls.

Question 2

We have no views to offer on this question.

Question 3

Retaining the current architecture of the CAP is supported, with its two pillars. Support measures which are available to all farmers in all Member States or to all farmers in particular geographic areas should be included under Pillar 1. For this reason we welcome the proposal under Scenario 2 for additional Pillar 1 payments targeting EU-wide environmental issues, and to compensate for specific natural constraints. Pillar 2 should be limited to payments which are discretionary.

Question 4

We believe that the withdrawal of income support envisaged under Scenario 3 would seriously put at risk the viability of small producers and even medium-sized farms, in the UK typified by family farms. Profitability in medium-sized farms would be under increased pressure as many lack economies of scale. Such farms and family farms in particular often provide greater environmental benefits and more rural jobs as they have less finance for large machinery, relying more on manpower. For smaller farms in the UK there is a need to improve their ability to access the Higher Level Stewardship Scheme after

using all their points for the Entry Level Scheme. This is particularly important where a series of small but adjacent farms working collaboratively can make an important contribution to environmental enhancement. Under Scenario 2 we would support an overall ceiling on payments to individual beneficiaries but argue that special dispensations should be agreed for beneficiaries whose objectives are also delivering biodiversity and other public benefits: an example in the United Kingdom would be the National Trust. We suggest that payment ceilings should be determined regionally and that there should be exemptions for bodies delivering public benefits.

Question 5

Given the continuing volatility of commodity prices, development of a wider range of risk management instruments is welcome. On the basis that help will be available, as necessary, to all farmers, we suggest that such instruments would be funded more appropriately under Pillar 1.

Question 6

An important aspect of the Single Farm Payment under Pillar 1 is the link with cross compliance and keeping land in Good Agricultural and Environmental Condition. Cross compliance measures should be reviewed to ensure climate change and environmental objectives are properly reflected. Such measures should then be complemented by the proposed new “generalised, non-contractual and annual environmental actions” under Scenario 2. In the UK, we suggest that the Entry Level Stewardship scheme and the Uplands Entry Level Stewardship scheme are good models of what might be applied under this measure, with individual options for land managers designed to maximise environmental and climate change benefits. An expanded Pillar 2 would fund more ambitious, complex and expensive environmental management where management plans and contractual arrangements are appropriate.

Question 7

In the UK, we would see particular opportunities from a significant increase in the rural development budget for a more balanced split of resources between Axes 1,2 and 3; for the development of more “integrated” projects; and for the involvement of a wider range of participants. This would need to be matched by a simplification of processes. As noted above, in the UK, managers of protected landscapes have found it very difficult to access RDP funds because of the complexity. However, we would be concerned if a significant expansion of the RDP budget were accompanied by excessive depletion of funding for Pillar 1 – moving too far and too fast.

Question 8

We have no views to offer on this question.

Question 9

Our main reservation about Scenario 3 is that without a significant level of support payment under Pillar 1 many farmers may cease to claim their entitlements. If that were to be the case, the environmental benefits from cross compliance and the requirement to keep land in Good Agricultural and Environmental Condition would be lost.

Question 10

A basket of indicators should be developed. This should include: greater access to funding under Pillar 2, the quality of environmental outcomes, maintenance of employment on farms, entrepreneurial activity, and skills development.

Question 11

The main elements of uncertainty are likely to arise from international events particularly affecting commodity prices, such as food shortages arising from weather related incidents such as floods and droughts, and international economic conditions. This suggests a precautionary approach to CAP reform which is why we are not in favour of Scenario 3.

This NAAONB response will be sent by email to:

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