

Environmental Aspects of the Agenda 2000 Proposals on Agriculture

This paper has been prepared on behalf of a group of **European Environmental Advisory Councils** which have chosen to present a joint submission on *Agenda 2000*. The Councils provide widespread independent advice to national and regional governments in environmental topics, including the societal, scientific, international, sustainable and long-term aspects of nature conservation and environmental policy. Such councils have an active role in most European countries and membership of the group is not confined to one council per country – there are several participants from certain countries. Most members are drawn from the EU but there are also participants in the accession countries. Initiatives of this kind are organized with the help of a *Focal Point* which acts as a secretariat – currently it is hosted by English Nature.

This report puts forward a view on a range of policy options in relation to the Agenda 2000 proposals. It includes an *Annex* summarizing the main agriculture and environment issues in eight Member States.

Councils in eight Member States supplied material for the report, namely: Austria, Belgium, Denmark, Finland, Germany, Ireland, the Netherlands and the United Kingdom. These Member States include examples of most kinds of northern European agriculture, although farming in southern Europe is not represented at all. This should be borne in mind when considering the range of environmental issues identified.

The Agenda 2000 Proposals

It is clearly the European Commission's intention to strengthen the environmental dimension of the *Common Agricultural Policy* (CAP) and to develop policy measures which are appropriate for a multi-functional, rather than a solely production oriented, form of agriculture. This, and the new vision of rural development as the "second pillar" of the CAP, are important advances in the philosophy of agriculture policy in Europe. While some of the measures could be improved in order to meet the environmental challenges described in the *Annex* to this paper, they are broadly in the right direction and reflect a new orientation towards agriculture which should be sustained and taken further over the coming decade. The reform of the CAP should be seen as complementary to advances in environmental policy and the attainment of goals set out in the *Fifth Environmental Action Programme* (see separate paper by the European Environmental Advisory Councils).

Multi-functional agriculture will prosper only if there is a suitable policy framework. This should allow sufficient flexibility at a regional, even local, level to allow agriculture to be guided by regional resource management concerns. Agenda 2000 offers more scope for national governments than in the past but the text of the new regulations should develop environmental options a stage further. Funding arrangements should favor governments which select environmentally favorable measures.

Overall Approach

Farming activities not only create pressures on the environment, but also give rise to significant benefits such as the maintenance of semi-natural habitats and cultural landscapes of a remarkable diversity within the EU15. The Commission is correct to insist that farmers

who are receiving support under the CAP should at least meet the standards of good farming practice. Otherwise there is a danger that the *polluter pays* principle will be breached. However, it is not essential that there is a common European definition of good agricultural practice. Rather, there may be some core elements laid down at EU level, supplemented by more detailed specifications which are best developed at a regional level in most countries. Farmers should be eligible for additional levels of support where they are contributing to environmental standards above the baseline of good agricultural practice. Over time, payments should evolve so that a basic level of support is available to all farmers able to document a positive environmental contribution, while those making an additional effort (eg reduced level of input, special landscape or habitat management) would receive higher payments. In some special areas, support may be required in the long term to maintain distinctive environmentally sustainable forms of agriculture.

The transition from production related support to a more de-coupled system involving expanded CAP funding for rural development and agri-environment measures should be maintained. It is not appropriate to simply reduce prices and compensate farmers without reference to social and environmental objectives. However, more effort should be made to internalize external costs and to increase the resources available for rewarding positive environmental work by farmers. At the same time, agriculture should be protected from imports from countries with demonstrably lower environmental standards so as to ensure that *eco-dumping* does not take place.

Food quality has emerged as a theme in the Agenda 2000 debate, but the concept is not well developed in the draft regulations. These make little distinction between agricultural products according to production methods, pesticide residues, the presence of genetically modified organisms (GMOs), etc. Quality concepts need to be better defined, linked more clearly to environmental issues and introduced more decisively into CAP policy measures.

Environmental Conditions/Cross-compliance

The Commission proposes that Member States should be obliged to take appropriate environmental measures in response to problems caused by agriculture. There are three options for Member States in fulfilling the obligation:

- the agri-environmental measures (which will be part of rural programmes);
- mandatory environmental legislation, the enforcement of which can be supported by reducing direct payments in the case of non-respect;
- specific environmental requirements being a condition for the receipt of direct payments under the market organization (Official Journal of the European Communities, OJ L 275/12, 10 October 1998).

This is a useful extension of the present situation under which *cross-compliance* applies only to the beef and sheep headage payments and is entirely voluntary for Member States, few of which have actually adopted measures.

This proposal offers a way of tackling a wide range of issues including water pollution, soil erosion, over-grazing, inappropriate management of landscape features and destruction of wildlife habitat. However, it is not an ideal long term solution. Where there are potential long term conflicts between the current CAP support schemes and the environment, as appears the case for the Sheep Annual Premium in some regions, it is preferable to alter the underlying regime than to seek to counteract it with supplementary measures. Cross-compliance does provide a means of reinforcing and supporting high environmental standards in agriculture.

Member States with particular environmental concerns will gain an ability to introduce measures which potentially apply to the whole farming sector. The Commission should ensure that throughout the Community, cross-compliance is implemented so as to lead to a more rapid and effective level of implementation of EU and national environmental legislation.

If cross-compliance is used to improve conformity with *good agricultural practice*, this concept needs to be debated and further developed at an EU level. It should include a dynamic element recognizing that standards will change over time with growing scientific knowledge, new techniques, equipment and inputs becoming available and an evolving legislative climate. Some elements of "integrated production" which have yet to be adopted by more than a few progressive farmers should become ordinary good practice in a few years' time.

Beef and Dairy Policy

In both the beef and dairy market policies, there is a proposal to increase the level of direct payments in compensation for price cuts. Part of the funding from the Community would be in the form of "national envelopes" with the Member States having more discretion to meet their own requirements, provided that they comply with some basic EU rules. This allows Member States some scope to experiment with alternative support mechanisms and to give preference to environmentally sound but perhaps less profitable management systems if they wish. In principle, this is an advance, provided that Member States utilize their new powers in an appropriate way and without giving rise to major distortions within the Union. More particularly:

- the Commission's proposals for the dairy national envelopes provide less scope for environmental innovation than the beef proposals. This lack of balance should be eliminated. For example, the stocking limits proposed for the beef national envelope support system should be applied to the dairy regime envelope as well;
- in several Member States there are strong arguments for national envelope payments to be made per hectare, rather than per head, and to be subject to stocking density limitations which will vary between Member States and perhaps between regions. It is important that this option is available to those national authorities which regard it as the best way of supporting environmentally sensitive systems;
- some Member States may wish to target payments on special categories of livestock farmers, such as small-scale mountain dairy units; this should be permissible under the Regulations.

The proposed changes in the rules for the premium for extensive beef producers is welcome. However, greater flexibility for targeting assistance on certain groups of high priority farmers would increase the potential of this scheme. In a few Member States, there may be a need to establish derogations from the essential rules because of exceptional local circumstances concerning grass production, stocking rates or the means of calculating stocking levels.

Maize and Grassland

In many countries, maize has become an increasingly competitive and widely used fodder crop, mainly at the expense of grass. This substitution has been damaging for the environment because of both landscape and habitat losses and because of higher levels of pesticide use and greater nutrient leaching as well as soil erosion in hilly areas. The support for silage maize under the CAP has contributed to these adverse changes and it is regrettable that the current

proposals to continue the maize premium fail to restore the balance between grass and maize. A system of support for grass based production and the removal of CAP maize subsidies would be preferable from an environmental viewpoint. Failure to correct the incentives for growing maize is a good example of the limited progress made in internalizing the environmental costs of contemporary agriculture.

Rural Development and Agri-environment

The Councils applaud the increased weight given to rural development within the overall architecture of the CAP and the new emphasis on an integrated approach. This should lead to more coherent policies, potentially better adapted to varying regional conditions. The rural development Regulation should insist on a strong regional element in the policy design and implementation phase including effective mechanisms for securing the necessary public participation. The value of including environmental authorities, including appropriate advisory councils in this process must be underlined.

In providing detailed guidance to the Member States in implementing the Regulation, the Commission should take the opportunity to stress the potential for forward looking regional resource management. This implies the use of both regulation and "soft" instruments, such as cooperation, consultation, information and mediation, as well as providing incentives for farmers and other rural actors. Planning is an interactive process involving a range of stakeholders; the timetable for implementation should be realistic so that there are sufficient opportunities for cooperation.

The funding level proposed for the accompanying measures and the rural development Regulation a whole is disappointingly low. There is limited scope for expanding current programmes, such as agri-environment measures, without cutting into the budget for other measures. The new potential to acquire additional funds for agri-environment schemes, from savings arising from "modulation", limiting CAP payments to certain larger farms, is interesting. However, the operation of this system is uncertain and there remains a need for secure funding as the basis for stable agri-environment schemes. Some Councils foresee the need for significant changes in farm management over substantial areas if environmental objectives are to be met. This will be difficult to achieve with a tightly constrained budget.

The decision that agri-environmental measures should continue to be obligatory is welcomed. The Commission's proposals to simplify aspects of the present Council Regulation (EEC) no. 2078/92, to require more than conformity with good agricultural practice and to refer explicitly to low intensity pasture systems are all positive. However under the proposed rules, there will be limited scope for integrating annual environmental payments to farmers with aid for associated capital investment, such as habitat recreation. Both aid for investment and a more positive programme of environmental planning in the countryside can contribute to permanent, rather than transient, benefits. Management agreements extending over more than five years can play an important part in achieving longer term goals – such as a favorable conservation status for *Natura 2000* sites.

Environmental management should be seen as one of a variety of new opportunities in the rural areas. Rural development plans can provide a framework for economic diversification, including activities which utilize local environmental assets and farm products. In most regions, it would be beneficial to reduce dependence on conventional forms of output and increase rural diversity.

Less Favored Areas

The policy for less favored areas should provide a financial reward for stewardship of the countryside without offering incentives for over production. Area payments and clear linkages to environmental goals offer a helpful way forward but maintaining the viability of appropriate farming systems and rural communities will remain a priority.

Organic Agriculture

Organic farming has many positive attributes from an environmental perspective, being associated with substantially lower levels of pollution and greater biodiversity than conventional production. The underlying philosophy is based on stewardship of the land and the recycling of nutrients. Further growth of the organic sector should be encouraged through the CAP as well as national measures and market initiatives. The agri-environment provisions of the rural development Regulation should continue to be a primary source of aid for organic agriculture. However, significant expansion requires adequate levels of funding at the EU and national level and underlines concern that sufficient resources are made available. The current proposals for a small increase in the *European Agricultural Guidance and Guarantee Fund* (EAGGF / FEOGA) budget for all the accompanying measures could be a serious constraint on the growth in organic agriculture.

Other CAP policy changes could be beneficial, both for organic producers and for *high nature value* (HNV) farmers. More policy targeting on such groups is possible as Member States are given greater discretion to tailor certain support measures within the CAP to national priorities. Examples might include:

- targeting of a proportion of the new "national envelope" livestock payments for beef and dairy cattle to organic farmers, HNV producers or those maintaining cattle in areas which are dependent on grazing to maintain their environmental interest but where grazing is in danger of abandonment;
- reserving a proportion of any newly available milk quota for organic or HNV farmers.

Beyond 1999

Like other policies with a significant impact on the environment, the revised CAP should be subject to the discipline of evaluation. This should include an assessment of the environmental effectiveness of the key policy measures. Such an exercise will be assisted by the use of the agri-environment indicators which are being developed prior to the Helsinki Summit. Indicators should measure policy effects, as well as environmental change on the ground.

If an agreement on CAP reform is reached in 1999, it should lay the foundations for a further step away from conventional production support – towards sustainable rural development. National and regional authorities can contribute by utilizing the new flexibility in the CAP and by a more creative approach to rural resource planning. But the Agriculture Council should set out a vision for closer agriculture and environment integration, as requested by the Vienna Summit. It is hoped that a more sharply focused model of European agriculture can emerge to inform policy decisions in the next century.