

## **The CFG and CAP Reform – October 2011**

We now have a good indication of the Commission's desire in relation to rural outcomes from CAP Reform.

The CFG is convinced that existing Commission proposals will not achieve what the CFG believes should be the Reform outcome. This outcome should be an EU farming industry which, by 2020, has become:-

- a) More efficient and therefore more competitive in a global context.
- b) More profitable and therefore in a position to be less of a burden on EU taxpayers.
- c) Capable of using management techniques that are less demanding in terms of "carbon footprint" and which increase resource use efficiency.
- d) More intelligent in terms of environmental sustainability.
- e) Less demanding administratively.

The CFG believes that the Commission Proposals should require all countries within the EU to move as quickly as possible from a position which determines the Single Farm Payment (the SFP) on a historical basis. Countries such as England which have done so should not need to do a wholesale recalculation of entitlements. We accept that there should be greater equality across the EU in terms of support and that this should be phased in relation to each individual country's cost structure to prevent commercial distortion.

We have argued in the past against "Greening" Pillar 1 but believe that the Commission will not alter their view on this. For the UK we believe that present suggestions involving 30% of the SFP being dependant on "Greening" will result in UK farmers not wishing to persist with existing

environmental schemes, particularly the broad and shallow Entry Level Scheme (ELS). The 7% of land that the Commission is suggesting should be taken out for enhanced biodiversity is too high an area. Not only will this discourage schemes such as the UK's ELS but also this might affect enthusiasm for the UK's Higher Level Scheme (HLS). Even if, as in France, farmers are required to take out up to 5% of land for biodiversity, this will have a marked effect on commercial viability; we believe this scale is too great and as much could be achieved with careful management and species choice on a smaller area. The UK's existing environmental schemes are recognised within the EU as being excellent. Why do we not seek acceptance of the ELS as fulfilling the Pillar 1 Greening requirement on the same basis as Organic farming? We would argue that it is equivalent in terms of environmental value to Organic production, more likely to achieve environmental enhancement than the existing Commission proposals and more relevant in relation to future food security. This would remove the requirement for differential modulation for the UK, potentially reduce administration costs and allow scarce Pillar 2 resources to be used for targeted Environmental help and investment leading to innovation and competitiveness. To optimise the environmental outcome from land taken out for enhanced biodiversity it must be recognised that how such land could be best utilised and how it should be targeted will vary from country to country and from place to place.

Whilst understanding the principle behind a requirement to diversify crop species this will be a major restriction on for example sole dairy units or upland units with a small area of feed grain. It will also, if rigidly applied, reduce the efficiency of joint ventures such as contract farming arrangements, where there are small "parcels" of land separate from the main unit with different holding numbers. We recognise that permanent pasture does have environmental advantages but this needs to be balanced with loss of commercial productivity.

To simplify administration it should be possible to indicate on annual SFP returns how much land is taken out of production, what area of Permanent Pasture is being maintained and what species diversity is being practised. Subject to routine SFP checking farmers should be trusted to utilise land taken out of production positively from a range of options open to them as in the existing ELS. Whilst being concerned about the logical surrender of the UK ELS if enhanced biodiversity as proposed by the Commission becomes part of Pillar 1, it will save the existing administration on the ELS and as indicated previously would allow Pillar 2 to be used for higher level environmental projects and support for less Favoured Areas such as the uplands. Pillar 1 should not be used to transfer funds from Lowland Farms to Upland Farms.

The Commission proposal to cap the SFP for large farmers is totally misplaced. It mitigates against efficiency, it will distort business structure, it will be difficult to administer and it perpetrates the myth that large scale farming is conducive to poor farm practice, to the contrary modern large scale farming is generally better for the environment. We understand and provisionally agree with the desire to restrict support to active farmers, however it is crucial that management options such as contract farming in the UK which encourage greater efficiency, uptake of technology and opportunity for new entrants do not lose access to the SFP.

If the Commission decides to continue modulating the SFP to help fund a new Pillar 2 it must be uniformly applied across the EU to prevent distortion and voluntary modulation must not be applied by individual countries for the same reason. Again the present Commission proposals will potentially lead to competitive distortion between member states.

Presuming we have a new Pillar 2 after Reform, we have indicated that a proportion of expenditure should be used to assist “high level “ environmental

support and disadvantaged areas such as the UK uplands. It is, however, important that for farming in such disadvantaged areas we retain the necessity for them to continue to be farmed commercially as well as receiving support for their contribution to the wider community. Other higher level support should be targeted at important habitat which is in danger of being lost and species which are genuinely under threat. The enhanced biodiversity proposals for Pillar 1 should be aimed particularly at encouraging year round habitat and nutrition for a wide range of beneficial insects particularly, but also plants, birds and small mammals relevant to a particular area. It is arguable that policy to retain people in rural areas over and above those required for commercial farming should not be supported by the Common Agricultural Policy but by a separate social fund outside the CAP. Whilst understanding why the Commission is attracted by the idea of helping young and small area farmers, administratively this will be complex. If farming is profitable there will be no lack of individuals wishing to take part in the industry and older farmers willing to employ keen, talented young individuals and thus give them a start. The policy should not be used to encourage people to enter and stay in farming on commercially unviable holdings and committing people to a life of hardship and dependency on subsidy.

It is crucial that at least half of any Pillar 2 funding is utilised to promote innovative sustainable farm practice which improves farm efficiency and consequent profitability and reduces our environmental foot print. In the UK particularly, but we suggest also to the rest of the EU, this would require investment to be channelled into applied research, into people and facilities. It would also be necessary to translate this applied research into practice; an innovation platform might well assist this, but alone this will not achieve what is required. We recognise and are grateful for the complementary funding proposals through Horizon 20/20 but this will not be enough if we wish to realise the vision of a significant difference by 2020 in terms of farm practice, competitiveness and sustainability. The environment is of course important but equally important is provision of good value, safe, wholesome food and the aim to reduce support from the EU taxpayer.

In conclusion we wish to see support being used to encourage greater competitiveness as well as environmental sustainability. We understand that there is enormous political pressure from a plethora of organisations to fund the environment. However we believe that the priority for the majority of EU citizens is to have good value, wholesome food produced when possible within the EU and that they would wish over time to see less support for Agriculture. If that is the case we need a balanced Reform that allows farms to adjust from a situation in which existing support is very important economically to one that is less so and Reform which encourages innovation leading to more sustainable farm practices and greater competitiveness in a global context. Existing proposals are likely to make EU farming less competitive in that global context and therefore will either lead to decline or a greater requirement for support. The increased complexity will be more difficult to administer and more expensive. We must adjust Commission proposals while we have time to do so.