



Reforming the CAP

WWF Vision for Rural Europe: 2014 and beyond

Discussion Paper



November 2009

“The challenge now is to address the legacy of past environmental damage and shape the CAP into a policy which can deliver sustainable agriculture throughout the EU by establishing a new contract between land managers and society. How to achieve this is the focus of this vision paper.”

World Wide Fund for Nature (WWF)

WWF is one of the world's largest and most experienced independent conservation organisations, with almost five million members and supporters and a global network active in some 100 countries. At European level, WWF is present in 19 of the 27 EU member states. WWF's embassy to the European Union is in the Brussels-based European Policy Office (EPO).

WWF's mission is to stop the degradation of the planet's natural environment to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.

WWF Vision for Rural Europe: 2014 and beyond

With this Vision for a future Common Agriculture Policy (CAP), WWF proposes radical changes. This new vision is based on the principle of "public payments for public goods" and on the need to financially support the land managers who produce public goods for the benefit of society as a whole.

WWF believes that farmers and environmentalists must now work together to safeguard the future of European agriculture and natural resources.

This vision was developed and written by WWF staff and Vicki Swales, an independent rural policy consultant. Please contact the members of the WWF Team on European Agriculture for more information. You can find details on the back page of this document.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
PART I: WHY CAP REFORM IS NEEDED?	7
Introduction	7
1. A chance for change – The EU Budget Review	7
2. Agriculture and the environment	8
3. CAP’s responsibilities and future challenge	9
4. The CAP: a pre-eminent policy	9
5. Why further CAP reform is needed	11
5.1 Arguments for CAP reform	11
5.2 Food Security, market regulation: arguments against CAP reform?	11
PART II: TRANSFORMING THE CAP INTO A COMMON ENVIRONMENT AND RURAL POLICY, FOR THE BENEFIT OF SOCIETY AS A WHOLE	13
6. Is there a need for public support for farming?	13
6.1 Is there a need for a ‘common’ rural policy?	13
7. Principles for a new rural policy	13
8. A Common Environment and Rural Policy (CERP)	14
9. Balance of expenditure	17
10. A period of transition	17
11. Benefits of a Common Environment and Rural Policy	19
12. Action for change	19

Reforming the CAP

WWF Vision for Rural Europe: 2014 and beyond

Executive Summary

Sustainable agriculture is of fundamental importance to mankind, producing not only food and fibre but also, through its interaction with land and natural resources, performing vital functions such as nutrient cycling and carbon storage. For much of Europe's history, farming was small-scale, subsistent in nature and sympathetic to the natural environment. Indeed, traditional, low input forms of agriculture have helped to create the variety of landscapes and associated wildlife that are highly valued by European citizens today. But with population growth, the introduction of new technology and encouraged by public policy, agriculture has become increasingly intensive and industrialised over the last fifty years or more. The loss and degradation of habitats, declines in wildlife, over-abstraction of water for irrigation, soil erosion and water pollution are just some of the problems we now face as a result of modern agriculture. Climate change brings a considerable new challenge; it accounts for 9% of EU greenhouse gas (GHG) emissions mostly due to stockbreeding and inappropriate utilization of synthetic nitrogen fertilizers. Agriculture will need to adapt to a changing climate but could also offer some solutions. Setting agriculture on a more sustainable footing is a challenge for all of us at the beginning of the 21st century.

WWF believes that farmers and environmentalists must work together to safeguard the future of European agriculture and environment. Only by taking steps to ensure the long-term, sustainable management of natural resources on which agriculture relies, can other current concerns such as food security be addressed.

Agriculture policy has a major role to play in achieving a truly sustainable agriculture. Successive reforms of the Common Agricultural Policy (CAP) have started the process of encouraging more sustainable forms of agriculture but much remains to be done. It is now critical to consider what further progressive changes are needed in agriculture policy over the coming decade or more.

In this paper, WWF outlines its '**Vision for a new Common Environment and Rural Policy (CERP)**' to replace the old and increasingly outdated CAP. CERP is **based on the principle of 'public payments for public goods'** - such as carbon storage with permanent pastures, the maintenance of biodiversity and landscapes, the protection of soil and water resources and the development of vibrant rural areas. It recognises the need to financially support those land managers who produce these goods for the benefit of society as a whole.

The benefits of shifting from CAP to CERP are manifold:

- Achieve sustainable land management, addressing the many environmental challenges facing rural Europe including the need for better water management, reversing declines in biodiversity and climate change adaptation and mitigation;
- Establish a new contract between land managers and society, recognising the vital role they play in the provision of environmental goods and services;
- Keep rural areas alive by supporting environmentally sustainable rural development, helping to boost jobs and the rural economy in ways that also deliver environmental benefits;
- Offer a long-term safeguard of supplementary income for farmers, based on the delivery of public goods, additional to the fluctuating returns from the sale of agricultural products;
- Offer a much more transparent, coherent and efficient use of taxpayers' money.
- Contribute to restore the confidence of consumers in farm products by enabling the provision of healthy food originating from healthier ecosystems

WWF argues that steps must be taken now to make this Vision a reality and calls on European and national decision makers to:

- make full use of existing CAP measures to achieve better management of land and water resources, reverse the decline in biodiversity and adapt to, and mitigate against, climate change;
- engage in a full and open debate about the future of the EU budget and the need for substantive reform of the CAP to create a new fund focused on sustainable land management and rural development;
- work in partnership with environmental NGOs, farmers' representatives, academics and others to develop a new Common Environment and Rural Policy for implementation in 2019.

The time for change is now. Europe's decision makers have a responsibility to citizens, consumers and taxpayers to address the many environmental problems of the past and forge a new and sustainable future for Europe's rural areas.

Part I: Why CAP reform is needed?

Introduction

Sustainable agriculture is of fundamental importance producing food and a range of environmental goods and services. But intensive agriculture is a major cause of environmental damage. Successive reforms of the CAP have begun to address the environmental problems associated with European agriculture but putting an end to these problems demands further, progressive reform of the CAP. The time is now right to consider what reforms are needed to put agriculture on a more sustainable footing.

Sustainable agriculture is of fundamental importance to mankind, producing not only food and fibre but also, through its interaction with land and natural resources, performing vital functions such as nutrient cycling and carbon storage. For much of Europe's history, farming was small-scale, subsistent in nature and sympathetic to the natural environment. Indeed, traditional, low input forms of agriculture have helped to create the variety of landscapes and associated wildlife that are highly valued by European citizens today. But with population growth, the introduction of new technology and encouraged by public policy, agriculture has become increasingly intensive and industrialised, resulting in negative impacts on the environment. The loss of habitats, declines in wildlife, over-abstraction of water for irrigation, soil erosion and water pollution are just some of the problems we now face as a result of modern agriculture. Climate change brings a new challenge; agriculture will need to adapt to a changing climate but could also offer some solutions. Setting agriculture on a more sustainable footing is a challenge for all of us at the beginning of the 21st century.

Agriculture policy has a major role to play in achieving sustainable agriculture. For the last fifty years, the Common Agricultural Policy (CAP) has been a major driver of agricultural development in the European Union. Whilst successful in increasing food production to meet the demands of a growing population, the CAP has encouraged the adoption of farming systems and practices that are damaging the environment. Successive CAP reforms have started the process of improving agriculture's environmental performance but much remains to be done. Addressing the environmental problems associated with European agriculture demands further, progressive reform of the CAP. The time is now right to consider what changes are needed in agriculture

policy over the coming decade or more. Here, WWF presents its vision for the future of the CAP.



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1. A chance for change – The EU Budget Review

Opportunities for CAP reform are on the horizon and must be grasped. The EU Budget Review offers the prospects for a major overhaul of CAP expenditure and a renewed opportunity to bring to life a new Common Environment and Rural Policy designed to meet 21st century challenges.

The EU budget is determined by the Financial Framework, which currently covers a seven year period and represents an inter-institutional agreement between the European Commission, the Council and the Parliament. The Financial Framework equates to an indicative spending plan and sets ceilings for possible annual expenditure, with actual spending plans determined by an annual budget process.

The current Financial Framework, running from 2007-2013, was agreed in December 2005 but only after heated discussion between the UK and France over spending priorities, the CAP and the UK rebate. As a result, the Commission was committed to undertake:

'...a full, wide ranging (budget) review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008/9'.

The EU Budget Review was initiated with the launch of a document entitled, 'Reforming the budget, changing Europe' in September 2007 and the opening of a public consultation period running to April 2008. In launching the Review, Commission President Barroso promised a 'no taboos' debate and described the review as, '...a once in a generation opportunity to make a reform of the budget and also a reform of the way we work.' The outcomes of this review will determine the next Financial Framework for 2014 onwards. CAP expenditure is likely to face significant challenges, with competing demands for funds for climate, energy, research, economic recovery, innovation, job creation and competitiveness exerting downward pressure on agricultural spending.

WWF welcomes the Budget Review as an opportunity to ask some far-reaching questions about the overall purpose of the current CAP and the benefits it delivers. WWF believes the answers to such questions will find the CAP lacking and will point to the need for a major overhaul of the policy in order to respond to 21st century challenges. Only a renewed CAP, responding to environmental and social challenges, will reflect EU priorities and ensure the legitimacy of public support in rural areas.

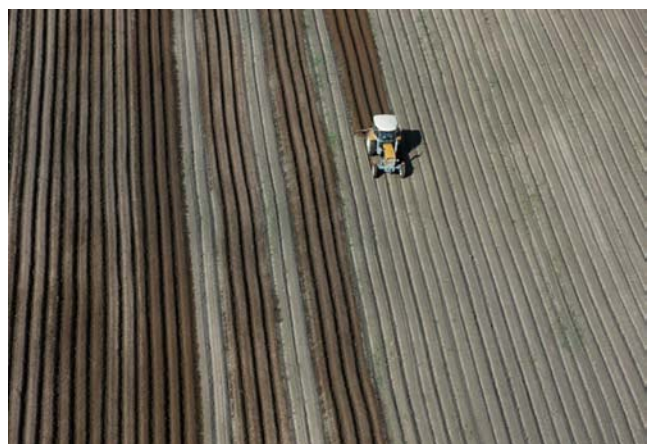
2. Agriculture and the environment

Agriculture can have positive and negative impacts on the environment. Traditional, low input, farming systems have created the landscapes and wildlife we value today. But the abandonment of such systems and the intensification of agriculture have resulted in many environmental problems.

Agricultural commodities are produced by employing land, labour and capital, introducing inputs such as seeds, pesticides and fertilisers and by manipulating the environment through a range of different practices such as land drainage, soil tillage, diverting natural water sources and grazing livestock. As a result, these practices can impact – both positively and negatively – on the environment.

Traditional, low intensity farming systems tend to work in harmony with the natural environment and are important in shaping the landscape and maintaining habitats and the species that depend on them. The abandonment of such farming systems on the one hand and the intensification of agriculture on the other is putting pressure on the natural environment. The *European Environment Agency's Fourth Environmental Assessment (2007)* offers a comprehensive overview of the negative impacts of agriculture on the environment, summarised here:

- ◆ Pollution of surface and groundwater bodies by nitrates, phosphates and pesticides, declining water resources and quality as a result of increased irrigation and loss of wetlands and floodplains due to activities such as land drainage and inappropriate grazing regimes.
- ◆ Soil erosion by water and wind which is problematic mainly in southern and eastern Member States. Soil compaction, contamination and acidification have lessened in New Member States in recent years but may increase with anticipated intensification.
- ◆ Air pollution from ammonia (leading to acidification especially in northern Member States) and odour from intensive livestock production.
- ◆ Habitat loss, degradation and fragmentation which has resulted in declines in the number and distribution of some species, most notably farmland birds and butterflies. New Member States retain large areas of undisturbed semi-natural habitats and HNV farmland but these are threatened by intensification and abandonment.
- ◆ Declines in landscape character and quality due to homogenisation of land use activities and loss/degradation of landscape features.
- ◆ Production of greenhouse gases such as methane from livestock, nitrogen oxide from fertilisers and carbon dioxide released from soils under certain management practices. Carbon storage and biofuels¹ can help to mitigate climate change.



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¹ WWF calls for strong standards to be set to ensure the sustainable production of biofuels. At this stage in the technological development of biofuels, biomass should be used preferentially for heating and electricity production (especially with cogeneration, giving preference to local consumption).

3. CAP's responsibilities and future challenge

Environmental degradation is partly a consequence of past agricultural policies, particularly the CAP, which encouraged intensive agriculture. Market forces and technology have also played their part. Recent CAP reforms have largely removed production incentives. The challenge now is to address the legacy of past environmental damage and shape the policy into one which can help to deliver truly sustainable agriculture.

The choices made by individual farmers about how they manage their land have a critical bearing on the environment. These choices, and the overall behaviour of farmers, are influenced by a wide range of different factors and include, among others: agricultural, environmental and other policies (at both EU and national level); market factors (price of commodities such as beef and wheat, consumer demands and preferences); and, available technology. Whilst it is important to recognise the influence of all these different factors on farming, one stands out as having been a key driver of agricultural development over the past fifty years – the CAP.

Until relatively recently, the CAP - through price support, then direct payments and other support measures offered to farmers – encouraged agricultural production irrespective of market requirements. The more farmers produced, the more money they received from the EU. Not surprisingly, many farmers responded to these production signals adopting more intensive farming practices in order to increase yields and profits. Over time, the negative consequences of such a public policy – from trade distortion to environmental damage - became apparent. Latterly, progressive reforms of the CAP, most critically in 2003, have largely broken the link between payments and production and established a more environmentally and socially focused rationale for the CAP. But further reform is essential.

The challenge now is to address the legacy of past environmental damage and shape the CAP into a policy which can deliver truly sustainable agriculture throughout the EU. WWF is convinced that only sustainable agriculture can produce safe, affordable and healthy food in ways that are ecologically responsible, economically viable and socially equitable. A fundamental principle of sustainable agriculture must be that it does not deplete the natural resources on which agriculture itself depends. It is in the long-term interest of farmers to preserve the natural basis for their holding – their livelihoods depend on it. More and more farmers throughout Europe are practicing a truly sustainable

agriculture and are actively advocating for its recognition and support by national and EU policies. WWF wants to work with farmers to ensure that the CAP not only promotes a sustainable agriculture and helps the environment but also supports those without which the management of our land and natural resources would not be possible.

Such a policy shift is also in the interest of consumers – with the reduction of the use of agrochemicals and of their impacts on health –, and of taxpayers – who will stop paying for conflicting policies, subsidizing simultaneously intensive practices and depollution actions.



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4. The CAP: a pre-eminent policy

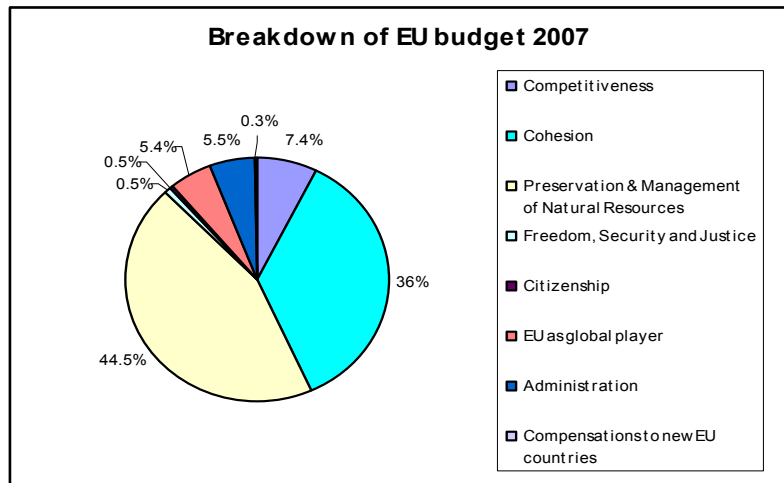
The current CAP dominates EU policy and expenditure and commands 44.5% of the total EU budget. Direct income support for farmers and market intervention receive almost 77% of the total CAP budget while environmental and rural development support receives only 22%.

The CAP owes its origins to the 1957 Treaty of Rome and is one of the longest standing and relatively few 'common' EU policies. The CAP began life primarily as a series of market interventions designed to support European farmers and protect them from external competition. Measures to address structural issues were relatively few and environmental measures unheard of. Over the ensuing years, the CAP has undergone substantive reforms in response to political, societal and market demands. Price support and market intervention has been gradually reduced – although not yet entirely phased out – replaced by increasing levels of direct income support for farmers. The first EU wide agri-environmental measure was introduced in 1985 and such measures, along with various rural development measures, now form a growing component of the CAP.

The CAP today

Today, three different types of CAP interventions can be identified:

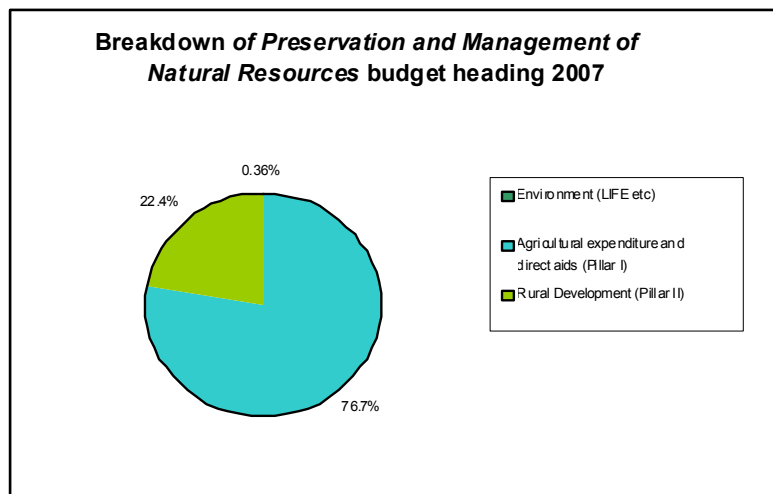
- market interventions – including tariffs, export subsidies, intervention purchasing, deficiency payments, output quotas, input subsidies and consumption subsidies
- direct payments – income support payments for farmers paid through the **Single Payment Scheme (SPS)**². The majority of direct payments are now decoupled from production but some coupled payments remain. The receipt of payments is conditional on compliance with specific environmental, animal welfare and other standards under a system known as **cross compliance**.
- Rural development measures – a series of measures under the European Agricultural Fund for Rural Development (EAFRD) to help improve the competitiveness of farm businesses, the environment and the quality of life in rural areas. Some measures are subject to cross compliance.



Together, market interventions and direct payments constitute what is commonly referred to as **Pillar I** of the CAP while rural development measures constitute **Pillar II**.

Historically, the CAP has always secured a large proportion of the EU budget; €55.1 billion in 2007, representing an enormous public investment in farming and rural areas. CAP expenditure is presented by the Commission under the Budget heading of 'Preservation and Management of Natural Resources' (see Figure below).

But, of CAP expenditure, less than a quarter was spent on environmental and rural development measures under Pillar II in 2007 with the majority spent on direct aids (income support) to farmers under Pillar I (see Figure below).



The balance between Pillar I and Pillar II expenditure has shifted since 2005 as a result of **compulsory modulation**. This imposes a percentage cut in direct payments and shifts the money saved into Pillar II.

² The majority of new Member States applies the Single Area Payment (SAPs) – a transitional, simplified income support - rather than SPS at the present time.

5. Why further CAP reform is needed

The current CAP lacks transparency, is inequitable and is insufficiently matched to the many challenges facing the EU in the first half of the 21st century. Progress has been made in the last fifteen years but there remains much to be done to achieve a more sustainable policy.

5.1 Arguments for CAP reform

The CAP has gradually shifted from a protectionist policy heavily focused on increasing production within the EU and protecting farmers from external competition to one which is increasingly trying to promote a more market orientated and sustainable agriculture, recognising the concerns of European citizens. Progress has been made but there remains an overriding need to shift the CAP towards a more environmentally focused and sustainable policy. WWF supports the view of the European Commission that EU agriculture is facing four main challenges: climate change, bio-energy, biodiversity and water management. The EU needs a new set of policy instruments for rural areas to address these challenges. Additionally, WWF sees the following key concerns:

- The majority of CAP payments (Pillar I) are weakly linked to the provision of public goods and services (for example, the sustainable management of water resources, biodiversity protection and the maintenance of valued agricultural and forest landscapes) and insufficiently targeted at helping agriculture adapt to, and mitigate against, climate change.
- CAP measures with the greatest potential to support sustainable agriculture and rural development (Pillar II) receive the smallest proportion of CAP funding and budgets are severely over-stretched.
- The current system is highly inequitable: in 2005, 20 % of CAP beneficiaries received almost 80 % of direct payments reflecting past production levels.
- The 12 new Member States that joined the EU in 2004 and 2007 have large areas of low intensity farming that is of high nature value and a repository for some of Europe's most precious wildlife. The current CAP system applied in these countries threatens to increase the abandonment of traditional farming practices in some areas and to fuel the intensification of agriculture in others with dire consequences for the environment.

- Further enlargement of the EU is anticipated with current candidate countries, including Croatia, Macedonia and Turkey. Applying the CAP in these countries will need to recognise both the wealth of environmental resources and the low level of agricultural development.



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Without further CAP reform, the EU is likely to fail to meet many of its own and international obligations in relation to biodiversity, water protection and climate change; will fail to manage EU taxpayers' money wisely and to meet the growing expectations of its own citizens.

5.2 Food Security, market regulation: arguments against CAP reform?

The origins of the CAP can be traced back to post-war Europe and the urgent demand to increase food production at a time of food shortages and rationing. At that time, food security was a genuine issue that needed to be addressed. Price support and other market interventions were introduced and Europe's farmers responded with zeal. Over time, such policy measures led to over-production of some commodities and the need for new measures, such as set-aside and milk quotas, to curb production. Production subsidies themselves were increasingly criticised as being trade distorting and environmentally damaging.

Some current trends and recent events have led to a resurgence of the food security debate and demands – mainly from the farming industry – for subsidies to support food production. Factors such as growing world demand for food, climate change and growing demand for biofuels, as well as concerns about global terrorism, are cited as reasons why food security issues should be at the heart of the CAP. There are, clearly, some real issues to be addressed about global food security. Ensuring that the world's poor have adequate supplies of affordable and healthy

food must surely be a priority. But all evidence on this subject points to poverty and restricted access to food as the major causes of food insecurity for such people rather than a lack of global food supplies. On the other hand, food security is not an issue inside of the EU, where the problem is the opposite as 30 % of all available food in the EU is thrown away: the European citizens and food industry have to change their behaviours, in order to fulfil Europe's social responsibility.

Therefore some calls for maintaining EU market interventions and price mechanisms, dressed up as concerns about food security, misunderstand the real issues and are more likely to harm those facing food insecurity than benefit them. Support for strategic storages should be maintained. Preference should be given to products which were produced taking into account sustainability criteria and standards. Current market interventions should be assessed and new instruments may be reinvented on the basis of their impacts on natural resources and developing countries.

WWF is aware of the price fluctuation on the food market which has damaging effects on farmers in developed and developing countries, the rural communities and those human beings suffering from hunger. Instruments to avoid speculations with commodities are needed for the future in order to stabilize market prices, and to ensure a fair price for sustainable products. It is important to avoid further concentration in the production and the processing which lead to social and ecological problems. Global sustainability criteria and standards for all traded commodities are needed to avoid the race to the bottom towards cheap production at the expense of nature, the environment, farmers' livelihoods and future generations.

WWF believes that food security, especially in the long run, definitively depends on our capacity to maintain the natural resources - upon which agriculture relies - in a good status. Food security and the global environmental crisis are strongly connected. Therefore it is crucial to radically reshape EU agriculture policy toward a sustainable model.

A legitimate policy position for the EU would be to maintain its food production capacity, enable farmers to respond to market demands for adequate supplies of safe, healthy, affordable food and, to do so in ways that are environmentally sustainable. This is a significant challenge that Europe should be able to address".



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Part II: Transforming the CAP into a Common Environment and Rural Policy, for the benefit of society as a whole

The CAP currently represents a substantive investment in rural areas – an investment that must be defended against competing urban and other demands for expenditure. But agricultural support per se has weakening legitimacy. WWF believes the CAP must undergo a period of transformation in order to meet the economic, social and environmental challenges of the 21st century in rural areas. It must shift from an agriculturally focused policy to a broader based environment and rural development policy designed to achieve sustainable land management and the sustainable development of rural areas.



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6. Is there a need for public support for farming?

Farmers produce food and other commodities such as cotton which they can sell to consumers at prices determined by supply and demand. WWF believes that the production of such commodities should not be subsidised by public funds. But farming also produces a range of non-market goods and services which, unlike wheat or beef, farmers cannot charge a price for. The regulation of water and soils, the maintenance of landscapes and wildlife and of the socio-economic viability of rural areas are key examples. These goods and services, known as 'public goods', benefit society as a whole but tend to be underprovided by agricultural markets and require public intervention to secure their delivery. WWF supports the principle of 'payments for public goods' whereby the taxpayer pays for the goods and services required by society as a whole, through targeted payments to farmers or other direct interventions. Delivering public goods should be the primary

purpose of a reformed CAP in future and is likely to require substantial investment in rural areas.

6.1 Is there a need for a 'common' rural policy?

Many of the challenges facing rural Europe are transboundary in nature and require a common framework in order to be addressed. The management of water resources, climate change mitigation and adaptation and the conservation of biodiversity require concerted action by Member States, working towards common goals, objectives and targets. This suggests the need for an overarching EU policy framework and a centralised budget that can be allocated efficiently according to environmental and rural development needs.

7. Principles for a new rural policy

Some key principles should underpin future investment in rural areas:

'A sustainable agriculture': The new rural policy should aim at developing a more sustainable agriculture which is ecologically responsible, economically viable and socially equitable, and which preserves in the long run the natural resources on which agriculture itself depends. A fundamental principle of sustainable agriculture is that it is based on an efficient use of inputs, energy and natural resources, through the valorisation of agronomy and biodiversity in the production process. We do not regard transgenic organisms as sustainable.³

'The Polluter Pays Principle': all public payments should be underpinned by a strong regulatory floor and the application of the 'polluter pays' principle. All beneficiaries in receipt of public payments should be able to demonstrate compliance with standards established by EU and national legislation such as the Nitrates Directive and Water Framework Directive.

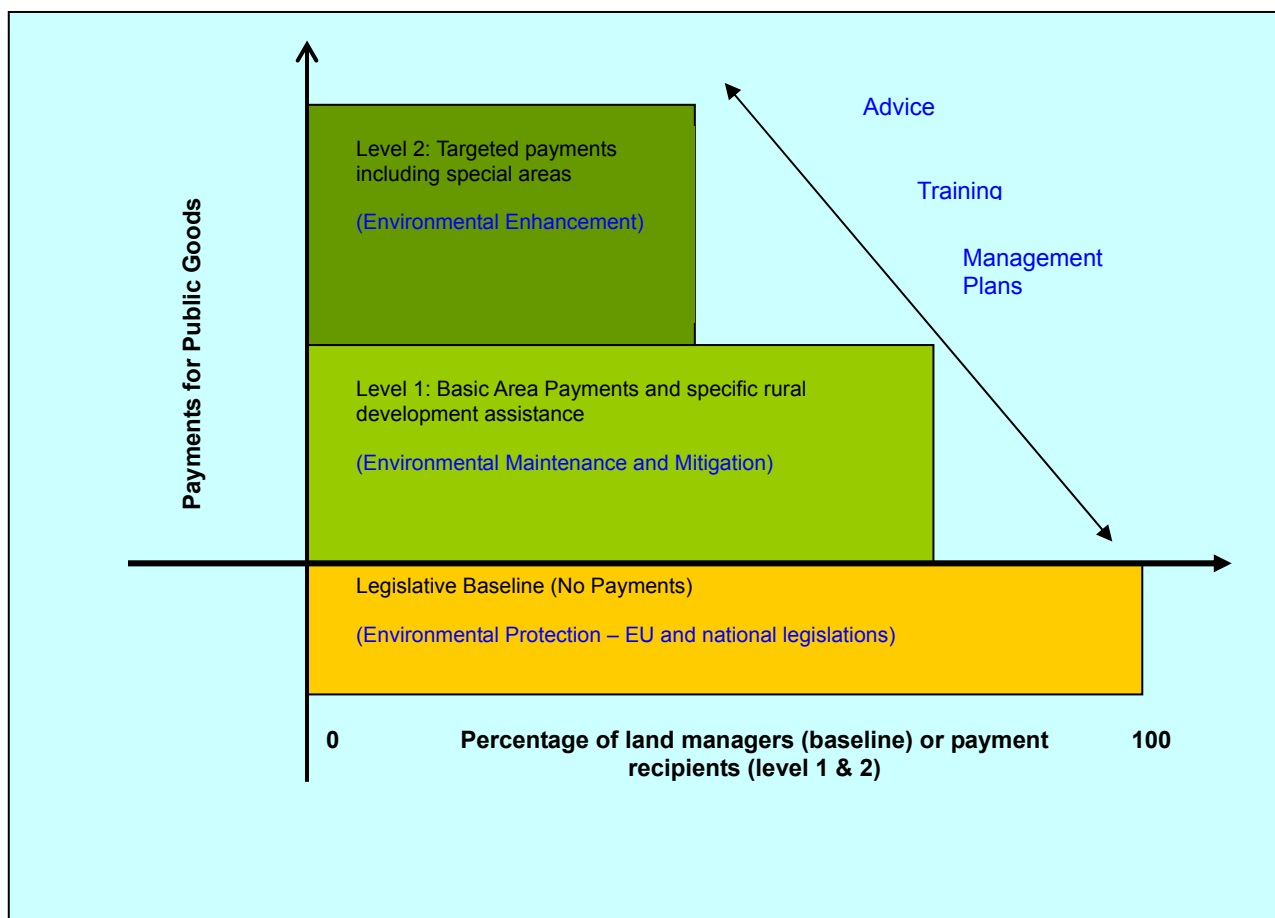
'Public Payments for Public Goods': public money should only be used for the provision of public goods. A broad definition of public goods should be applied including: the regulation of environmental functions

³ The following production processes may - conducted in the right manner - increase the capacities of our ecosystems e.g. the fertility of soils and thus substitute natural chemical inputs : Diversity of crop associations and rotation (legumes, hardy varieties*), development of hedges that shelter pests predatory, soils organic matter, etc.

such as sustainable water management, carbon sequestration and soil protection; the provision of environmental benefits such as the preservation of biodiversity and habitat protection and the maintenance of valued cultural and historic landscapes; and, the provision of non-environmental benefits such as public access and enjoyment, rural employment and the socio-economic viability of rural areas.

8. A Common Environment and Rural Policy (CERP)

WWF proposes a transition from a Common Agricultural Policy (CAP) to a new Common Environment and Rural Policy (CERP) by 2020. The core components of CERP are illustrated by Figure 7.1 and described as follows:



‘Payments should be linked to the delivery of clear objectives and targets’: these payments and objectives should reflect the defined environmental and socio-economic needs of rural areas.

‘Information on payments made to all beneficiaries should be in the public domain’: to ensure that the use of public funds is transparent and open to public scrutiny.

Figure 7.1: Components of a Common Environment and Rural Policy

Legislative baseline

All land managers must comply with existing EU and national legislation that applies to land and the activities they undertake, irrespective of whether they receive public payments or not. All beneficiaries in receipt of public payments under CERP (as described under the two headings) will be required to comply with a set of defined standards, based on the current cross compliance system. Such standards will therefore constitute a pre-condition for receiving public payments under CERP. Standards will, as now,



be derived from a list of EU and national legislation and from issues relevant to Good Agricultural and Environmental Condition (GAEC). Both the list of EU legislation and GAEC issues should be reviewed and revised accordingly to ensure they capture adequately the main environmental challenges facing Europe. For example, better water management should be included in the list of GAEC issues, from which standards should be derived, to combat issues such as over-abstraction of water and water pollution.

Ultimately, GAEC should encompass a much broader set of environmental issues than its current, rather narrow, focus on soils. Recipients of any payments found not to be in compliance with these standards should face the withdrawal of payments and, in certain circumstances, be required to pay back money received.

The CERP should continue to provide one-off specific investments needed to achieve certain GAEC practices with key environmental outcomes.

Level 1: Basic area payments for public benefit and specific rural development assistance

This component of CERP would be comprised of two main elements:

- basic area payments for land management that delivers defined public benefits;
- specific one-off investments and financial assistance to support and facilitate rural development e.g. grants to support business development and pay for infrastructure.

Example for Level 1: Achieving better water management through basic area payments

Basic area payments could encourage better water management through:

- The introduction of buffer strips (wider than those required under the legislative baseline) alongside water courses on cultivated land and grassland
- Maintaining wetlands and functioning floodplains
- Ditch management
- Nutrient Management Plans
- Manure Management Plans
- Appropriate management of land at high risk of soil erosion
- Management of cultivated land and grassland with low inputs such as fertilisers

Land managers (farmers, foresters and others) would be eligible for annual payments per hectare for land

management that contributes to the maintenance of public goods and services. Such payments could be delivered through menu-based land management schemes whereby managers select a range of land management options to follow, appropriate to local and regional conditions. Organic farming and other systems such as Integrated Crop Management could be supported at this level. Land management options would be designed to maintain existing beneficial land management practices or encourage their introduction and would have a moderate level of environmental ambition. Land managers would enter a five or ten year management agreement in return for payments. Schemes and payment rates would be designed in such a way as to encourage high levels of take-up with the aim of securing 70-80 % of rural land (agriculture and forest area) under a basic management agreement. The objectives for such payments could encompass a wide range of issues including improving water quality, maintaining biodiversity and landscapes, climate change adaptation and mitigation, the provision of access and recreation opportunities, among others.

To support rural development, specific one-off investments and financial assistance would be available in rural areas. Particular emphasis should be given to funding development activities that are likely to yield not only socio-economic benefits but also environment benefits. For example, eco-tourism projects or investments in improving energy efficiency or waste management could be funded. Support could also be provided to assist the processing, marketing and promotion of food produced by sustainable farming systems and the development of local food networks and short supply chains. This would help to maintain rural vitality by ensuring a better product valorisation and market access to small-scale farmers. More generally, all EU funds supporting agri-business should be subject to conditions related to strict sustainability criteria.

Level 2: Targeted support for achieving more complex environmental outcomes

This component of CERP would provide payments to land managers for undertaking activities that would lead to the enhancement or restoration of environmental goods and services. Such activities might include habitat recreation where important habitats have been lost or restoration where habitats have been degraded by past activities. Targeted species recovery projects or species re-introduction might be included under this measure. Support could also be targeted to the maintenance of High Nature Value farmland and to support the active

Example for Level 2: Achieving better water management through targeted support payments

Targeted payments could encourage better water management through:

- Arable reversion to unfertilised grassland in targeted areas to prevent run-off
- Measures to prevent erosion and run-off in intensively managed grasslands
- In-field grass areas to prevent erosion and run-off
- Seasonal livestock removal on grassland
- Nil fertiliser applications
- Recreation and restoration of wetlands and floodplains

management of areas designated as Natura 2000 sites or priority water catchments. The creation of new access and recreation opportunities on land could also be funded under this option as could enhance resource protection options such as arable reversion to prevent soil erosion and water pollution and limiting the use of artificial fertilisers and manure. Payments would be per hectare (or per length for linear features) and capital grants would also be available for one-off investments or to pay for necessary infrastructure such as fencing. Land managers would enter a five or ten year management agreement in return for payments. In most cases, land managers would be expected to enter the basic management tier first before being eligible for further targeted support. However, there may be instances where separate targeted payments are appropriate.



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Land management plans

All land managers wishing to receive public payments would be expected to complete (or have completed for them) a management plan for the land to be

entered into agreement. The plan would – based on a socio-economic and environmental assessment of the farm - include maps, identification of existing environmental assets and resources, and details of the management options selected to achieve specific environmental outcomes. The level of information contained in these plans would vary according to the type of payments being applied for. A relatively simple plan would be expected to accompany basic area payment agreements rising in level of detail and specification as higher tier payments are applied for. Plans accompanying agreements for targeted support would be expected to be detailed and may require specialist input to produce them. Assistance could be granted for the production of such plans.



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Advice and training

Land managers are likely to require advice and training to help them maximise the outcomes from management agreements. Under CERP, Member States would be required to establish advisory and training systems to support implementation of the policy. All land managers receiving public payments should be required to attend at least a one day, general training course (for Level 1 basic agreements) and additional training days (for Level 2 targeted agreements) at the start of agreements. Training should be free of charge and financial support provided to cover the costs of temporary on-farm labour to enable farmers to attend. Financial assistance could also be provided for further attendance at topic specific training days e.g. creation of specific habitats. All land managers entering agreements would also receive a free on-site advisory visit at the start of all agreements. Further advice could be made available through a range of media such as handbooks, leaflets, internet and telephone helplines, provided by Member States.

9. Balance of expenditure

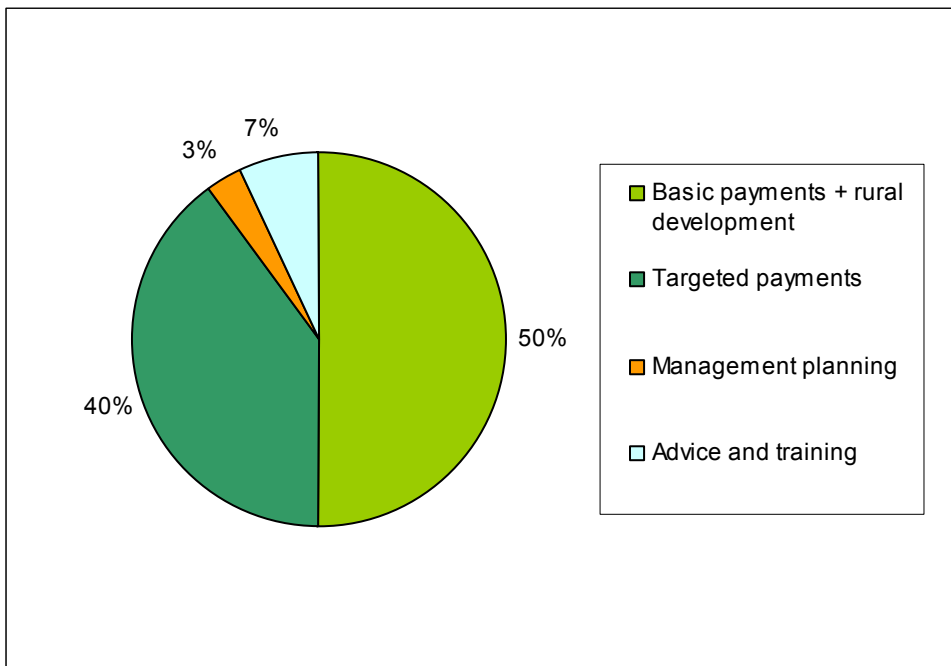


Figure 7.2: Indicative breakdown of CERP budget by component

The current CAP budget is dominated by market related expenditure and direct aids (income support) for farmers which accounts for 77 % of total expenditure. Under CERP, there would no longer be any income support for farmers, as it currently exists. Instead, farmers and land managers will receive a long-term supplementary income through a payment linked to good environmental and farming practices: all expenditure will be devoted to achieving environmental and rural development outcomes. The budget for CERP should be based on actual environmental and social needs and set accordingly. Such needs are likely to be considerable and it is not envisaged that the budget for CERP would be substantively less than the current CAP.

The exact breakdown of the CERP budget between its different components will need to be calculated. An indicative breakdown, based on the area of land and number of recipients likely to be targeted by the different payments and the nature of the payments, is presented at Figure 7.2.

10. A period of transition

The old CAP would gradually be dismantled, with Pillar I progressively phased out, and the new CERP brought to life, building on the current Pillar II of the CAP and replacing progressively Pillar I payments by new payments. A gradual transition is required to allow farmers time to adapt and to avoid widespread economic disruption to the agriculture sector. Time is also needed to develop the new policy, establish its component parts and build the administrative and delivery structures required for its implementation. The next Financial Framework is expected to cover the period 2014-2020 to tie in with a new Commission College. WWF therefore proposes that the period 2014-2018 is used as a transition period and that the new CERP becomes effective from 2019. During this transition period there should be substantive and progressive cuts in Pillar I direct payments, as follows:

Year	2014	2015	2016	2017	2018	2019
Percentage cut	10	20	35	55	75	100

The money saved from progressively phasing out Pillar I should be used to remunerate farmers and land managers under the new CERP, and to fund some interim measures that would ease the change-over from CAP to CERP:

Within Pillar I, a proportion of the funds raised by payment reductions should be used to finance an interim, five year payment scheme – based on a



revised and progressively increased Article 68 – to support environmentally important farming systems and pay farmers willing to manage land as ‘Ecological Compensation Areas’ (ECAs). Recipients of such payments would be required to complete a basic land management plan describing activities to be undertaken. Once CERP is in place, activities paid for under this scheme would transfer to basic area payment agreements.

By building in a transition period for the shift from CAP to CERP, both farmers/land managers and national administrations would be given time to adapt and any major economic and social disruptions will be avoided. Table 7.1 shows a proposed timeline for the transition from CAP to CERP.

The bulk of the remaining funds raised by Pillar I payment reductions should be transferred into Axis 2 – the land management axis – of Pillar II. The EAFRD regulation should be revised from 2014 and a new programming period run from 2014-2018.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Pillar I payment reductions	Existing modulation		10%	20%	35%	55%	75%	100%		
Interim Article 68 payments			Payments for specific practices and ECAs							
Revisions to EAFRD	RD and LFA revisions									
New EAFRD programming	Current programme		Higher Axis 2 funding							
CERP legislation						Legislation approved				
CERP implementation								CERP implemented >>>		

Table 7.1: Proposed timeline for transition from CAP to CERP

The “Less Favoured Area” measure (LFA) should be reformed into a targeted payment (as described under CERP).

A substantial proportion of the new money should be allocated to the agri-environment, forest environment, Natura 2000 and “Water Framework Directive” measures (WFD). A proportion of funds should also be allocated to Member States to enable them to establish enhanced advisory systems and develop the management planning process.

The legislative steps needed to agree and introduce CERP should be taken during 2016-2018. CERP could then take effect from 2019. As today for Pillar II, Member States would be required to produce National Strategic Plans for CERP and National Environment and Rural Programmes setting out objectives, the measures to be used and establishing clear targets for CERP.

11. Benefits of a Common Environment and Rural Policy

The benefits of shifting from CAP to CERP are manifold. A new CERP would deliver the environmental goods and services demanded by European citizens and taxpayers. It would result in a more transparent, equitable and efficient support system for rural areas and facilitate more market orientated and less trade distorting agriculture.

A new CERP would:

- Achieve sustainable land management, addressing the many environmental challenges facing rural Europe including the need for better water management, reversing declines in biodiversity and climate change adaptation and mitigation.
- Keep rural areas alive by supporting environmentally sustainable rural development, helping to boost jobs and the rural economy in ways that also deliver environmental benefits.
- Establish a new contract between land managers and society, recognising the vital role they play in the provision of environmental goods and services and ensuring the adequate provision of these goods and services where there is market failure or public interest.
- Offer a long-term safeguard of supplementary income for farmers, based on the delivery of public goods, additional to the fluctuating returns from the sale of agricultural products.
- Represent a much more equitable policy, based on the delivery of public benefits and not on rewarding historic production.
- Result in a more market orientated agriculture and avoid trade distortion.



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- Contribute to restore the confidence of consumers in farm products by enabling the provision of healthy food originating from healthier ecosystems. The EU has to stop a system where a consumer has to pay more for products free of harmful substances like pesticides
- Offer a much more transparent, coherent and efficient use of taxpayers' money.
- Stop spending taxpayer's money for conflicting policies: subsidizing practices harmful for the environment and health on one hand, and paying for depollution policy (water treatment, etc.) or health care system on the other hand.

12. Action for change

Time must not be wasted in moving towards a new vision for rural Europe to combat environmental problems and to put land management and rural development on a more sustainable footing. Action is needed now.

WWF has outlined a vision for a new Common Environment and Rural Policy and steps must be taken now to make that vision a reality. WWF calls on European and national decision makers to:

- Make full use of existing CAP measures to achieve better management of land and water resources, reverse the decline in biodiversity and adapt to, and mitigate against, climate change;
- Engage in a full and open debate about the future of the EU budget and the need for substantive reform of the CAP to create a new fund focused on sustainable land management and rural development;
- Work in partnership with environmental NGOs, farmers' representatives, academics and others to develop a new Common Environment and Rural Policy for implementation in 2019 by establishing an independent Environment and Rural Taskforce to undertake the necessary research, analysis and consultation needed to develop the new policy.

The time for change is now. Europe's decision makers have a responsibility to citizens and taxpayers to address the many environmental problems of the past and forge a new and sustainable future for Europe's rural areas.

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WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption