



**Proposals for the future CAP:
a joint position from the European Landowners' Organization
and BirdLife International**



PREFACE

The sound management of our natural resources is essential to underpin the vital role of food production from farming. The unique farmed landscapes of Europe have arisen as a result of centuries of interaction between nature and human management. Many of our charismatic species and habitats are now dependent on the continuation of appropriate farming practices. Good land management is also vital for ecosystem services such as water, soil and green house gas regulation.

For many decades the Common Agriculture Policy has shaped the way Europe's land is managed and farmed, but it is clear that it is now in need of further reform to enable the policy to respond to future challenges. A number of issues are forcing the debate about the future of the EU's land into centre stage: the growing global demand for food, the threat of global warming and the threats to Europe's environmental quality; all brought into focus by the debate that is just starting on the next EU budget.

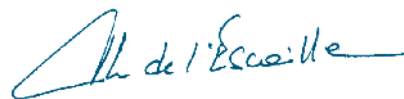
Environmental groups and those who farm and manage the land are often assumed to take opposing positions on these issues. For this reason, the European Landowners' Organization and BirdLife International feel it important at this early stage in the debate to highlight some common principles that both organisations share. There are many detailed issues over which our organisations have different perspectives, but we do not want this to obscure the fact that there are some very fundamental matters we agree on as we enter the EU Budget debate.

Most fundamentally, both organisations see a continuing role for a European policy and budget to help achieve our food and environmental security. We agree that the current CAP must change to meet the emerging challenges of the 21st Century. And although we have our own distinct views on what the policy should look like, we share considerable common ground over what the policy needs to deliver and the principles that it must embrace.

We commend this joint declaration to all parties as the debate over the EU budget and the future CAP gets underway, and we would welcome your feedback on this document.



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SUMMARY: THE KEY MESSAGES

1. Appropriate land management is crucial for the conservation of a range of ecosystem services, a critical one of which is food production for the human population and underpinning this, the long-term capacity of land for food production.
2. Sustainable management of Europe's land requires continued active intervention by farmers and landowners.
3. There is a particular need to ensure the maintenance of extensive livestock, and other High Nature Value, systems
4. Europe plays an important role in global food security and in driving higher global environmental standards of production.
5. Policies and budgets at the European level are justified to enable us to rise to these food and environmental challenges.
6. Future policy therefore requires the evolution of the CAP to ensure alignment between CAP support and public benefits.
7. The mechanisms and measures to achieve this are likely to show more characteristics of current CAP rural development and agri-environment measures than current farm support measures.

1. Land management is crucial for the conservation of a range of ecosystem services, a critical one of which is food production for the human population and underpinning this, the long-term capacity of land for food production.

Farming and other land-based economic activities, such as forest management, are very different from other sectors of the economy because of their extraordinary level of associated externalities. These are the inescapable side effects of managing a large part of the territory and can be positive, such as landscape and habitat creation, and negative, including air and water pollution. As farming in effect manages the environment, with significant influence on its wildlife and natural processes, the role of farmers as land managers is generally essential in a range of environmental concerns: biodiversity and heritage conservation, watershed management, soil conservation and carbon sequestration. It is also vital for other societal concerns such as the landscape which forms the basis for Europe's thriving rural tourism and recreation industries.

Farming is a key sector of our economy and our society, not just because of its role in land management, but primarily because it is responsible for the production of food - the most fundamental of human needs. The main business of most farmers remains the production of sufficient, healthy and safe food that consumers want to buy. With recent reforms of the CAP and the gradual opening up of world markets, farming has become more of a "normal" economic sector where farmers act as entrepreneurs responding to market demand. However, the overwhelming importance of food requires much more attention and stronger public safeguard policies than "normal" industries. While it is inefficient for the state to get directly involved in food production, or to try and micro-manage demand and supply, society must make conscious arrangements to ensure the long term security and stability of its food supplies. Central to this is ensuring the environmental sustainability of farming. Maintaining the long-term productive capacity of the land can be viewed as a public good in itself.

2. Sustainable management of Europe's land requires continued active intervention by farmers and landowners.

Most of Europe's land is managed by private owners - mainly farmers and foresters. Europe has very little pristine habitat left, the great majority of land has been for centuries, if not millennia, actively managed by humans and it is human activity that has shaped some of Europe's most treasured landscapes.



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Plant communities and their associated animal life have co-evolved with human activities over the centuries and are in many cases now dependent on the continuation of traditional management practices. While in some cases nature restoration and even the abandonment of active management are justified and indeed welcome, over the vast majority of European land the conservation of biodiversity, the appropriate management of water cycles and the preservation of landscapes, all require ongoing active management. This management can be provided in some cases by public bodies or NGOs but above all it requires the engagement of the economic and social actors owning and managing land: landowners, farmers and foresters.

3. **There is a particular need to ensure the maintenance of extensive livestock, and other High Nature Value, systems.**

Almost all land managers can deliver important public goods: appropriate agricultural and forest management is vital for the delivery of a variety of ecosystem services and goods as well as the food and other products they provide, these include, water, flood and carbon management, biodiversity, cultural landscape and access. Because, by definition, public goods are not rewarded by the market, public payments or some other collective actions are needed if economic operators are to deliver them at a sufficient level. A comprehensive agri-environmental payments framework, and other payments for specific environmental services, could provide such a system. There are, however, certain types of, usually traditional and extensive, farming that are nowadays economically marginal and find it impossible to survive on the free market. Such systems would collapse if current CAP Pillar 1 payments were withdrawn, even if they continued to receive current levels of environmental and Less Favoured Area payments.

In such areas, where market income is marginal, public goods payments based on **agricultural** income foregone will simply not guarantee the survival of these businesses. Critically, the rapid disappearance of such businesses would be accompanied by unacceptable social, landscape and biodiversity change. This is the case of many of Europe's High Nature Value farming systems, and in particular of many extensive livestock operations that are vital for the range of services summarised above. The future CAP must give much more focus to targeting support at these economically marginal but environmentally rich farming systems. This should be achieved through a combination of two kinds of effort:

- *Redefining the basis of environmental payments in such zones.* By definition, in areas "less favoured" for agricultural production, the production forgone by deploying less intensive production systems is not very great. The real opportunity cost of these farmers is what they could earn outside agriculture by relocating their families, and therefore the environmental services lost from the abandonment of farming. The challenge is to exploit the full range of flexibility in international agreements on the principles of environmental payment to accommodate this logic.
- *Targeted rural development investment* to promote HNV and other land management systems which are important for public good delivery. These systems often have intrinsically low yields and trying to increase them may come at the expense of the delivery of public goods. On the other hand, HNV farming can be made more competitive by playing on its natural points of strength: product quality and character, and environmental quality. Public investment should support farmers in adding value to their traditional production, through labelling, promotion, marketing and local processing, and in finding new sources of revenue linked to their land stewardship mainly through tourism and recreation.

4. Europe plays an important role in global food security and in driving higher global environmental standards of production.

Europe is one of the world's biggest food producers, is the world number one importer and amongst the largest exporters of food. It therefore has not only self interest in its own food security, but also a responsibility to contribute to global food security. In the past, subsidised exports from the EU harmed farmers in developing countries by pushing international food prices down. The 2006-08 price spikes, partially driven by export restrictions in parts of the world suddenly meant food was much less affordable, hurting poor people in food importing countries and cities. Global food security is much more complex than a question of simply producing more and trade rules and disciplines are also important for the smoother operation of markets. Broadly speaking, the EU should maintain its capacity to produce most of the temperate zone food it consumes, while at the same time engaging in the world market in a fair and constructive way. Population and affluence growth, both inside and outside Europe mean that demand for agricultural products will continue to increase in the coming decades. This is likely to place further strain on ecosystems and risks leading to an even greater degradation of natural resources. Ecosystem degradation is already causing significant problems to water resources, soil quality and biological services such as insect pollination, and if unchecked could jeopardise our ability to produce food in the foreseeable future. Europe must lead the way toward truly sustainable systems of food production by setting and championing high standards of environmental, as well as social and product, quality.



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5. Policies and budgets at the European level are justified to enable us to rise to these food and environmental challenges.

The environmental challenges we face in this new century are global by nature. Climate change calls for collective action to stabilise the climate - the ultimate shared public good. Biodiversity, because of its infinitely intricate web of links between organisms, species and ecosystems, is again inherently global. Animals and plant seed move across borders, populations of organisms (including plants) are interconnected through demographic and genetic mechanisms. It is impossible to save biodiversity locally, in isolation to action taken elsewhere, and similarly, the value of biodiversity is at least partially universal. Water basins often span national borders and pollution ultimately ends up in the sea that is shared by all. If we are to conserve our ecosystems and make them resilient in the face of climate change we need to act globally.

European action is the next best to global action as the EU comprises such a big portion of land and contains such a huge single block of consumers, producers and citizens. The European Community has also committed to act through its status as signatory to international commitments on biodiversity and climate change. Similarly, food security is a global issue though it is always manifest at local level. EU competence for food, agriculture, environment and trade are long-established principles and functions of the European Union. While the EU cannot, through its agricultural policy, solve the issue of hunger and malnourishment in the developing world, it can try to ensure a long term stability of at least a significant part of the world's food production. We thus believe that there is a strong case for **common** EU action on land management, food and the environment.

Common objectives within the EU single market cannot be achieved without a common framework of policy. In particular, land use requires constant balancing between the need to produce private and public goods and between different types of production. Within the EU, there is a risk that in the absence of a common policy for dealing with the land-based public goods we would witness, with respect to some aspects of the environment, a race to the bottom whereby every country tends to maximise its agriculture market share at the expense of public goods provision. In parallel, there could be a race to the top where wealthy regions are willing and able to support traditional farming systems which have positive environmental impacts to the competitive disadvantage of less wealthy regions. This argues for a common EU framework for public goods delivery.

While the case for a common policy is strong, the huge variability of ecological and economic conditions across Europe means that the policy needs to be flexible enough to accommodate the diverse needs of local conditions. We believe that it is possible, and indeed indispensable, to have one common EU policy that sets the framework, objectives and accountability rules, while allowing Member States and regions to tailor the actual measures to their own situations and take care of delivery on the ground, and at the same time avoiding distortion of the related farm product markets.

Arguing for common EU frameworks and action is not the same as arguing for an EU budget. Nonetheless it is vital that policy goals drive the budget and not the other way round. This requires a systematic EU exercise to calculate the necessary EU budget to deliver the quantum of environmental services whilst achieving the appropriate degree of food security. There are clear dangers that the EU is heading in the opposite direction.

6. Future policy therefore requires the evolution of the CAP to ensure alignment between CAP support and public benefits

The CAP has steadily adapted to changing circumstances since it was created in the late 1960s, but it has to adapt further to face these daunting food and environmental challenges. Current funding allocation (to Member States, regions, sectors or individual farmers) still reflects a policy tuned to supporting agricultural commodity production. The significant reforms since the mid-1990s have moved to a more market oriented agriculture, where commodity markets can and do work well, changing the thrust of



the policy towards the market failures surrounding land management. There is a growing consensus that this is the direction in which further reforms must move. However the allocation of funding has yet to catch up with this shift in policy.

There are two reasons to suppose that the scale of public goods to be delivered by farmers and the costs of their delivery may rise in future. First, as the pressure for more global food production grows, this will move us into a higher price era than for the last few decades. The intensification of production which this drives will increase both the scarcity and the value of the environment. This means that if we wish to take counteractive measures to conserve the environment then it will cost us more. The second argument is that adaptation to climate change, *inter alia*, requires a network of environmental corridors across the entire territory to provide the connectivity of habitats and to allow species movement. This implies some broad-application stewardship schemes over the bulk of the territory including the intensively farmed most fertile areas. To regain public support as a legitimate instrument of EU policy the CAP must be realigned so that public expenditure matches, as much as possible, the delivery of public benefits which are vital for achieving both food and environmental security. The costs associated with public good delivery, although likely to rise, should not demand an increase in the EU budget, but instead could be accommodated by a redeployment of direct agricultural supports.

The clearer the link between what beneficiaries receive from taxpayers, and what taxpayers receive (as citizens) from the beneficiaries, the more just, robust and functional the system will be.

7. The mechanisms and measures to achieve this are likely to show more characteristics of current CAP rural development and agri-environment measures than current farm support measures

We must learn from the long experience with the current array of CAP tools when it comes to designing future tools. Pillar I has certain strength in its relative administrative simplicity and in the strong element of certainty and revenue stability it gives farmers. On the other hand its distribution within and between member states is still largely based on its 1960s to 1990s function as commodity market support rather than as a contract linking payment to the delivery of public goods. We still have much to learn about devising and operating cost effective Pillar II schemes, but they have demonstrated that in the right circumstances they can produce effective and sophisticated results. We believe that a future system should capture the best of both pillars and include the following principles:

- *Contractual base*- All payments should eventually be based on a clear contract between the contractor and society, spelling out the public goods that the contractor is expected to deliver in exchange for the payments. These contracts should be multiannual and long enough to give the farmers a sufficient level of certainty and business stability, while they should include elements of flexibility to allow for continual improvement and reaction to changing economic and environmental conditions.
- *Transparency*- all relevant data about public payments and contractors' commitments should be made public.
- *Targeting*- all payments should clearly aim at the delivery of specific public goods. Specific doesn't need to mean narrow but it must be clear what a payment is trying to achieve and results should be quantifiable and measurable against secure baselines.
- *Monitoring*- it is essential that there should be a sound system of monitoring of the performance of the schemes to ensure the targets are sensible and achievable and results acceptable. This will guide the further adaptation of the schemes over time at all levels, from the farm to the overall policy. There is no reason to expect nature, or society's evaluation of environmental public goods, to be static.
- *Accountability*- contractors should be fully accountable for complying with the terms of their contract, but even more important, national and regional authorities responsible for the spending should be fully accountable for the achievement of agreed EU objectives. If funding is to come from the European taxpayers' pocket, the effectiveness of spending must be accounted for to the representatives of the taxpayers.



BirdLife International is a global Partnership of conservation organisations that strives to conserve birds, their habitats and global biodiversity, working with people towards sustainability in the use of natural resources. The BirdLife Partnership operates in more than 100 countries and territories worldwide. BirdLife International is represented in 42 countries in Europe and is active in all EU Member States.

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