



Natural England Position Statement: Common Agricultural Policy Reform

1.0 Key Issues

- The Common Agricultural Policy (CAP) is fundamentally important to rural land use and management and, through rural development regulations, provides support for agri-environment, forestry and other rural development schemes. It is therefore critically important to Natural England and our delivery of related schemes.
- Approximately three quarters of the annual £2bn of payments to farmers and land managers in England are in the form of general income support payments through the Single Payment Scheme. These payments deliver little more than basic compliance with environmental regulations and, as such, do not present good value for public money.
- The remaining quarter of the annual CAP funding is devoted to the delivery of environmental public goods through the Rural Development Programme for England (RDPE). Over 80% of this RDPE funding is for Axis 2, within which agri-environment schemes are by far the largest component. These schemes deliver a range of defined environmental goods and services including: climate change adaptation and mitigation, biodiversity and landscape conservation and protection of natural resources. The European Commission has indicated that the 'direction of travel' for CAP should involve the progressive expansion of Pillar 2, but England's heavy reliance on Voluntary Modulation makes our Pillar 2 funding vulnerable, as the Commission is also determined to phase out this funding mechanism.

2.0 We Believe

- There is a need for a large-scale transfer of funds from income support to support for sustainable rural development, including securing environmental goods and services that would not otherwise be provided by functioning markets, thus ensuring that public funds are contributing to improved social welfare.
- In the medium term, the CAP needs to develop into a policy that maintains multi-functional land use and helps to build and maintain a new social contract between farmers and the rest of society.
- In the longer term, alternative mechanisms need to be developed to safeguard the natural environment. These need to include approaches that are less reliant on continual annual payments and approaches that can work in areas where multifunctional land use is breaking down.
- That further simplification of CAP is necessary, including: simplifying cross compliance conditions (without diluting standards); completion of decoupling across EU; transition to a flat-rate Single Payment Scheme model by 2013 for all Member States.

- That adjustments to ELS that retain simplicity whilst delivering greater environmental benefits by encouraging the most appropriate local options are required.
- That Upland ELS must also be rolled out as a more environmentally useful successor to the Hill Farm Allowance Scheme.

3.0 We call for

- The political agreement achieved on the CAP Health Check to include a package of measures to secure the environmental legacy of set-aside to include both financial incentives and cross compliance conditions.
- Acknowledgement from the EU Agriculture Council, in agreeing the CAP Health Check reform package, that the 'direction of travel' of the reform process is away from income support and towards support for sustainable rural development (including securing environmental goods and services that would not otherwise be provided by functioning markets).
- The UK Government to resolutely protect the ability to voluntarily modulate funds, while successfully negotiating for an increase in the rate of compulsory modulation to fund an expanding agri-environment programme.
- EU Finance Ministers and Heads of State to secure adequate funding for environmental land management as part of a settlement on the EU Budget Review. This is in the context of a declining share of EU budgetary spending on agriculture and is required in order to meet the challenge of climate change.
- The outcome of the Budget Review to reflect a substantial reduction in income support, combined with an increase in RDP funding (especially for Axis 2). It should also reflect a fairer allocation of RDP funds between Member States, based on an objective assessment of need rather than historical accident.
- The development of the architecture for the Financial Perspective 2014–2020 to result in a further reduction in income support, with residual support targeted at maintaining environmentally beneficial farming systems.
- Continued large-scale funding for environmental land management with progressive development of mechanisms that secure environmental benefits long term, rather than on an annual basis (towards buying not renting).
- A Map-based, data-driven approach to targeting and prioritisation of both ELS (Entry Level Stewardship) and HLS (Higher Level Stewardship).
- Farmers to see managing the natural environment as one of their primary roles and the public would see them as guardians of the environment and be willing to pay for these 'public goods' through general taxation.
- Farmers to also move towards more environmentally sustainable production of food that consumers want to buy.

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