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No more EU-trophication!

How CAP reform can save the Baltic Sea

WWF Baltic Ecoregion Programme 2009



Executive summary

Our seas, coasts and land provide a range of environmental goods and services that are fundamental to human existence. We overexploit and damage these natural resources at our peril. Eutrophication – or nutrient overloading – of the Baltic Sea is just one example of how human activities can damage the natural environment.

In the last 150 years, the Baltic Sea has gone from a pristine, nutrient-poor, clear water sea to permanent eutrophic conditions. A key factor in the environmental degradation of the Baltic Sea is the intensification of agriculture – much of it in the last fifty years – in the surrounding drainage basin. Large amounts of nutrients, mainly nitrogen and phosphorus, are released into the Baltic Sea each year as a result of modern farming practices such as the use of artificial fertilisers.

A major solution to the problem of eutrophication lies on the land and in the promotion of more sustainable farming and land management practices. Agriculture policy has a major role to play in achieving sustainable agriculture. Successive reforms of the Common Agricultural Policy (CAP) have started the process of putting agriculture on a more sustainable footing but much remains to be done. Putting an end to eutrophication of the Baltic

Sea, and to a wide range of other 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. WWF, in seeking to address eutrophication of the Baltic Sea, presents a vision for policy reform that reaches far beyond the Baltic Sea States.

Time must not be wasted in moving towards a new vision for rural Europe. In this paper, WWF outlines a vision for a new Common Environment and Rural Policy (CERP) and argues that 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 combat eutrophication of the Baltic Sea, 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 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 and taxpayers to address the many environmental problems of the past and forge a new and sustainable future for Europe's rural areas.



Introduction

Eutrophication or nutrient overloading of the Baltic Sea is a major problem and highlights just one of the negative impacts of human activities on the environment. Intensive agriculture is a major cause of eutrophication.

Successive reforms of the CAP have begun to address the problem. However, putting an end to eutrophication of the Baltic Sea, and to a wide range of other environmental problems associated with European agriculture, demands further, progressive reform of the CAP. The time is now right to consider what reforms are needed.

Europe's seas and coasts are a vital resource upon which millions of people depend. Fishing, shipping and tourism are just some of the economic activities that rely on marine resources. Our seas and coasts also provide a range of environmental goods and services that are fundamental to human existence. Sadly, we fail to appreciate the importance of having a healthy sea and continue to overexploit and damage these resources at our own peril.

The Baltic Sea is the largest brackish water sea in the world. As a result of human activities both at sea and on

land, the Baltic Sea has gone from a nutrient poor, clear water in the 1800s to a eutrophic – nutrient rich – marine environment today.

A key factor in the environmental degradation of the Baltic Sea is the intensification of agriculture in the surrounding drainage basin. Large amounts of nutrients, mainly nitrogen and phosphorus, are released into the Baltic Sea each year as a result of modern farming practices. Nutrients are also deposited by traffic, industry, waste-water and shipping. The resulting eutrophication has numerous effects, the most visible of which are the vast areas of algal blooms that occur during the summer months. Nutrient over-loading of the marine environment, such as that witnessed in the Baltic Sea, has severe economic, social and environmental impacts, the costs of which must be borne by society. This is why Eutrophication is recognized by the HELCOM Baltic Sea Action plan



as the primary environmental threat to the Baltic Sea.

Putting an end to eutrophication of the Baltic Sea, and to a wide range of other environmental problems associated with European agriculture, demands further, progressive reform of the CAP. The current EU Budget Review offers the prospects for a major overhaul of CAP expenditure; the time is now right to consider what changes are needed in agriculture policy over the coming decade or more. The WWF Baltic Ecoregion Programme, in seeking to address eutrophication of the Baltic Sea, presents a vision for the CAP that reaches far beyond the Baltic Sea States.

Nutrient overload

An overload of nutrients such as nitrogen and phosphorus causes damaging eutrophication of aquatic systems. Eutrophication is now a critical issue in the Baltic Sea and other European water bodies. The use of high levels of artificial fertilisers by agriculture is a major source of nutrients reaching the Baltic Sea.

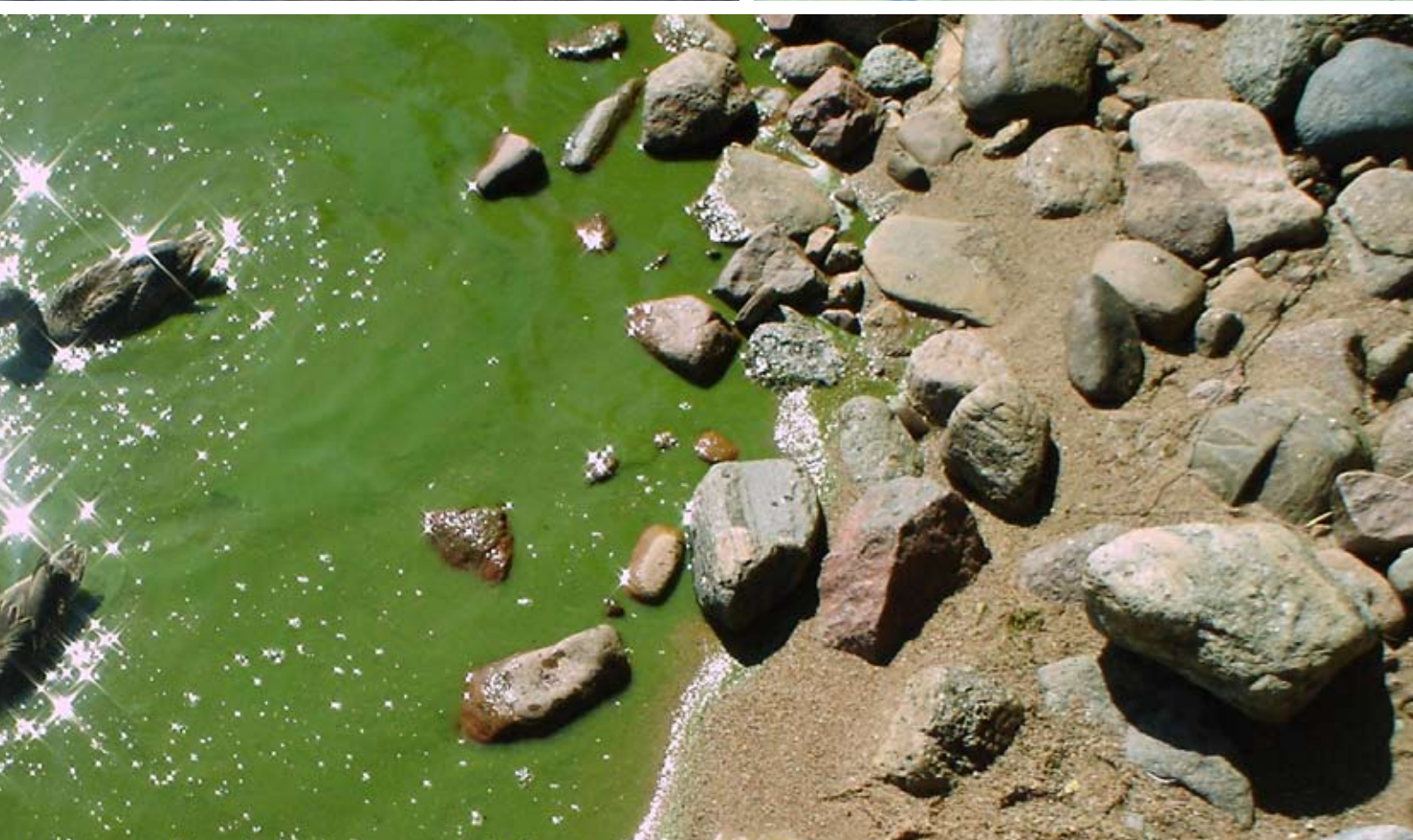
Nutrients such as nitrogen and phosphorus are essential to maintain the healthy structure and functioning of aquatic ecosystems. An overload of such nutrients, however results in accelerated growth of planktonic algae and higher plant forms which disrupts the normal functioning of the ecosystem.

Agriculture is a major source of nutrients reaching the Baltic Sea due to the high levels of artificial fertilis-

ers being used today. In 2000, almost 60% of the total waterborne nitrogen input and 50% of the phosphorus input to the Baltic Sea originated from agriculture and managed forestry. The implementation of various agricultural water protection measures, such as the Nitrates Directive, is beginning to show some positive results in terms of reducing nutrient loads. However, nutrients remain in farmland soils for long periods and are only gradually



released into rivers through leaching and water transport. There may therefore be a time lag before the full effect of nutrient reduction measures is visible.



Is the CAP to blame for eutrophication?

Eutrophication of the Baltic Sea is partly a consequence of past agricultural policies, particularly the CAP, which encouraged intensive agriculture. 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 that can help to deliver truly sustainable agriculture.

The management of agricultural land in the countries surrounding the Baltic Sea has a major influence on the levels of nutrients reaching the water. The general trend within European agriculture over the past fifty years has been one of intensification and specialisation. This has resulted in fewer, larger farms, a decline in mixed farming with greater emphasis on monocultures and substantive use of artificial inputs such as pesticides and fertilisers. The use of nitrogen and phosphorus based artificial fertilisers has increased enormously and resulted in an excess of nutrients beyond the requirements of the crops being grown. Intensive livestock production has increased the amount of manure and other waste

that must be disposed of on land. Excess nutrients leach out of soils and find their way into watercourses which eventually drain into our seas and oceans, in a process known as diffuse pollution, and result in eutrophication. Nutrients can also enter watercourses from point sources such as leaking manure storage facilities on farms. The rate of loss of nutrients from the soil can be exacerbated by the way in which the land is managed. For example, ploughing grassland can release nutrients locked up in the land. Similarly, land drainage – to improve conditions for farming – can speed up the loss of nutrients.

The choices made by individual farmers about how they manage their land

are critical to the issue of eutrophication. 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
- available technology

Whilst it is important to recognise the influence of all these different factors on farming, one stands out as having had a disproportionate influence over the past fifty years – the CAP.

The CAP and eutrophication

Until relatively recently, the CAP – through payments and 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 by adopting more intensive farming practices in order to increase yields and profits. Increased use of artificial fertilisers became a necessity in this drive for production. Over time, the negative consequences of such a public policy – from trade distortion to environmental damage – became apparent. More recently, 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.

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 believes sustainable agriculture is that which produces 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 damage or deplete the very natural resources on which agriculture itself – and society as a whole – depends. How to achieve sustainable agriculture through CAP reform is the focus of this vision paper.

Market forces and eutrophication

Successive reforms of the CAP have sought to encourage a more market-oriented agriculture where production decisions are a response to market signals such as the price of, and demand for, certain commodities. The nature of agricultural production i.e. its reliance on natural resources such as soil, air and water and its requirement for land, means that it also produces non-commodity outputs. Such outputs are referred to as externalities; they are external to the main production process. In many cases, these externalities are positive. For example, agricultural production can have beneficial impacts on biodiversity and landscapes. But externalities can also be negative. Diffuse pollution and eutrophication are examples of negative externalities in the agriculture sector.

Agricultural markets generally fail to take account of both the negative and positive externalities of produc-

tion. They provide insufficient incentive to farmers to avoid practices that lead to environmental damage or to adopt practices that maximise the environmental benefits of production. Correcting market failure is a legitimate reason for public intervention in the agriculture sector and depending on the type of market failure, different policy responses are appropriate.

Preventing negative externalities of agricultural production requires the use of regulation and the application of the ‘polluter pays principle’, as well as other approaches such as advice and training for farmers. Regulation establishes legally based standards that producers must comply with or face fines or other sanctions. A wide body of environmental and other legislations already applies to the agriculture sector including the Nitrates Directive and Birds and Habitats Directives. However, as agriculture becomes more market-oriented, and favourable commodity prices incentivise production, the role of regulation will become increasingly important in governing production methods and ensuring that farm businesses are not allowed to produce in ways that damage the interests of European citizens. A strong regulatory baseline and proper enforcement are both required.

Encouraging the production of positive externalities is largely a role for incentives, which can take different

forms. The remainder of this paper explores the type of incentives needed to promote environmentally beneficial production and, in particular, the concept of ‘public payments for public goods’. Markets can also, in some instances, incentivise environmental benefits; for example, where consumers are willing to pay higher prices for certain attributes of food. Currently, the markets for such food goods are developing but represent only a tiny fraction of overall agricultural production and do not offer a widespread solution as yet.

Technology and eutrophication

Technology has played an important role in facilitating the development of European agriculture. Over time, farming has become more mechanised, with machinery replacing labour in many day-to-day activities, supporting the intensification and specialisation of agriculture. Some technology has therefore been a driver of environmental damage. But new technologies could increasingly help to combat problems such as eutrophication by, for example, aiding the precision application of fertilisers and helping to turn livestock waste into energy through processes such as anaerobic digestion. Supporting the development of environmentally beneficial technologies must be part of the solution to problems such as eutrophication in future.

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 numerous, 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.

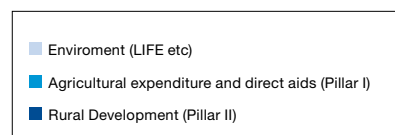
The CAP today

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)¹. 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 competi-



Breakdown of the EU Budget 2007



Breakdown of Preservation and Management of Natural Resources budget heading 2007

tiveness 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 above).

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

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.

¹ The majority of new Member States apply the Single Area Payment (SAPs) – a transitional, simplified income support - rather than SPS at the present time.



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.

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 oriented 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.

Key concerns include:

- 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 overstretched.

- The current system is highly inequitable; in 2005, 20% of CAP beneficiaries received almost 80% of direct payments reflecting past production levels. The current rationale for Pillar I payments is income support yet those farmers least in need of income support payments received the lion's share of public funding.

- The 12 new Member States that joined the EU in 2004 and 2007 have large areas of low intensity farming that are 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 fuel the intensification of agriculture in others with dire consequences for the environment.

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

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 and will fail to meet the growing expectations of its own citizens. In its current form, the CAP could represent a constraint on future EU enlargement and a barrier to world trade

Arguments against CAP reform: the food security debate

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 a zeal not often seen. 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.

We now live in a different world but 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 food must surely be a priority. But all evidence on this subject points to poverty and insufficient access to food as the major causes of food insecurity for such people rather than a lack of global food supplies per se. There is much the EU can do to help alleviate poverty, assist developing countries in boosting their own food production capacity through sustainable agriculture systems and facilitate economically beneficial trade. 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.

Regarding domestic food production, it is legitimate for the EU to maintain its own strategic food production capacity by, for example, investing in agricultural research and development and promoting skills development and training in the farming and food sectors. The policy framework should enable farmers to respond to market demands for adequate supplies of safe,

healthy, affordable food and encourage them to do so in ways that are environmentally sustainable. Reducing the huge amount of food that is wasted each year in Europe would also help to ensure sustainable food supplies. These are significant challenges but global food security is unlikely to be addressed by government intervention in agricultural commodity markets, such as price support and export subsidies, as witnessed in the past.

A chance for change

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 an unmissable opportunity to bring to life a new Common Environment and Rural Policy designed to meet 21st century challenges.

The EU Budget Review

The EU budget is determined by the Financial Framework, which currently covers a seven year period and represents an Interinstitutional 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 and the CAP. As a result, the Commission was committed to undertake:

'...a full, wide ranging (budget) review covering all aspects of EU spending in-

cluding 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 challenge, with competing demands for funds for research, innovation, job creation and competitiveness



European Commission
President Barroso

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.



Transforming the CAP

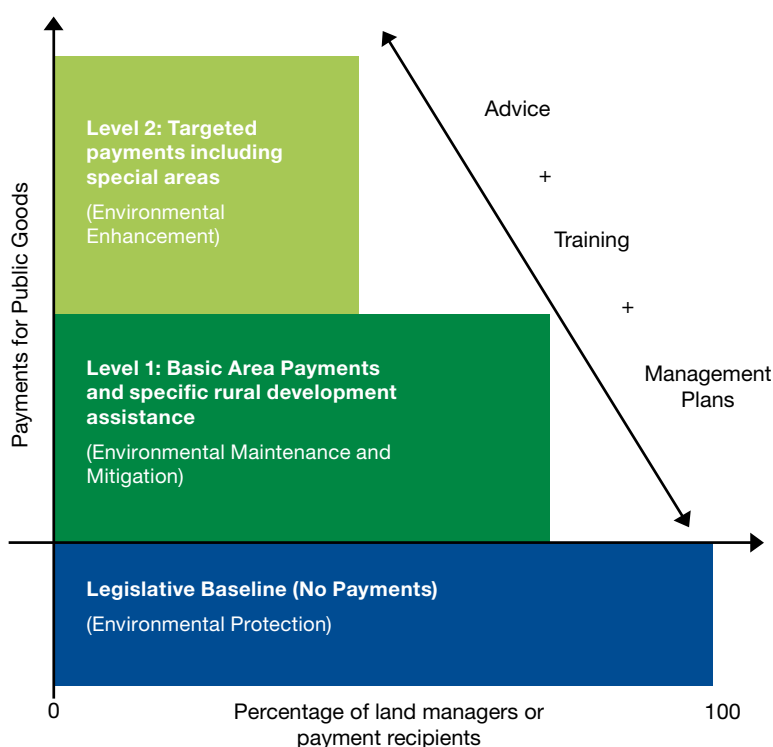
The CAP currently represents a substantive investment in rural areas – an investment that must be defended against competing urban and other demands for expenditure. Agricultural support per se has weakening legitimacy. WWF believes the CAP must undergo a period of transformation in order to meet the 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.

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 and the maintenance of landscapes and wildlife 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 purchases 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 the future and is likely to require substantial investment in rural areas.

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 allo-



Components of a Common Environment and Rural Policy

cated efficiently according to environmental and rural development needs.

Principles for a new rural policy

Some key principles should underpin future investment in rural areas:

- **‘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.

- **‘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 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.

- **‘Payments should be linked to the delivery of clear objectives and targets’:** these payments and objectives should

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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.

A Common Environment and Rural Policy

WWF proposes a transition from a Common Agricultural Policy (CAP) to a new Common Environment and Rural Policy (CERP) by 2019. The core components of CERP are described as follows (see Figure above):

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 next 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). Recipients of any payments found not to be in compliance with standards should face the withdrawal of payments and, in certain circumstances, be required to pay back monies received.

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; and, specific one-off investments and financial assistance to support and facilitate rural development, e.g. grants to support business development and pay for infrastructure.

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.

Combating eutrophication through basic area payments

Basic area payments could help to combat eutrophication by encouraging:

- The introduction of buffer strips (wider than those required under the legislative baseline) alongside water courses on cultivated land and grassland
- 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

To support rural development, specific one-off investments and financial assistance would be available in rural areas. Some activities currently funded under Axis 1 and Axis 3 of EAFRD would be eligible for on-going funding. 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, ecotourism projects or investments in improving energy efficiency or waste management could be funded. It is envisaged that rural development investment more generally would be provided in future through greater use of Cohesion Funds.

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 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 enhanced 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

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first before being eligible for further targeted support. However, there may be instances where separate targeted payments are appropriate.

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 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 more detailed and may require specialist input to produce them. Assistance could be granted for the production of such plans.

Advice and training

Land managers are likely to require advice and training to help them max-

imise 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. 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, the internet and telephone helplines, provided by Member States.

Balance of expenditure

The current CAP budget is dominated by market-related expenditure and direct aids (income support) for farmers, which accounts for 77% of total expenditures. Under CERP, there would no longer be any income support for farmers, as it currently exists. Instead, all expenditure would be devoted to achieving environmental and rural de-

velopment 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 will 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 break down, 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 in the Figure below.

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. 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 build the administrative and delivery structures required to implement the new policy.

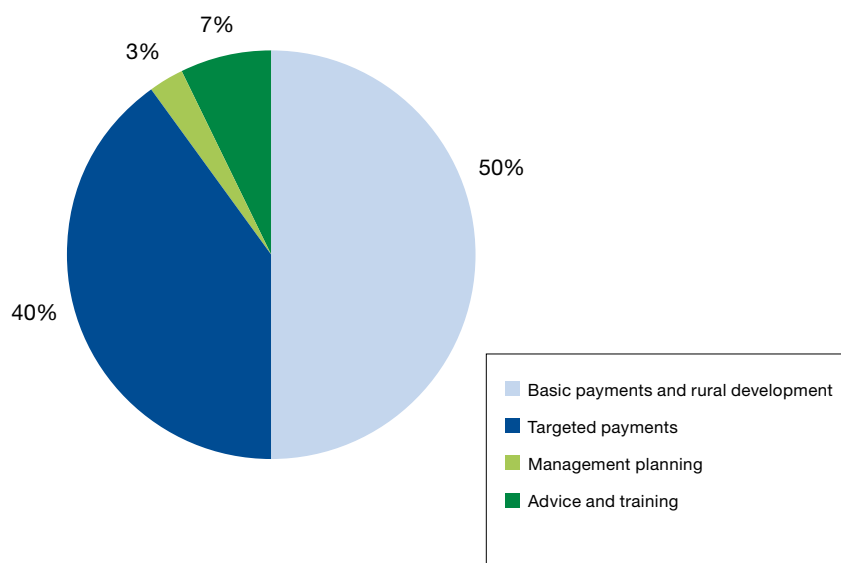
The next Financial Framework is expected to cover the period 2014-2020, although there is some speculation that it may only cover a five year period of 2014-2018 to tie in with a new Com-

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Combating eutrophication through targeted support payments

Targeted payments could help to combat eutrophication by encouraging:

- 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
- Restoration of wetlands, rivers and lakes in order to increase their capacity to decrease N and P runoff



Indicative break down of CERP budget by component.

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mission College. The next Financial Framework should be the main transition period for the CAP. During this period, there should be substantive and progressive cuts in Pillar I direct payments, as follows:

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

The money saved from phasing out Pillar I should be used to fund the new CERP. However, developing a new policy, establishing its component parts and putting in place the necessary administrative and delivery struc-

tures will take time. WWF therefore proposes that the new CERP becomes effective from 2019 and that the period 2014-2018 is used as a transition period. Within this period, some interim measures should be considered to 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 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.

- 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. Certain Axis 1 and Axis 3 measures that could be better funded by Cohesion Funds should be removed from EAFRD and remaining measures given a stronger environmental focus. The LFA measure should be reformed into a Level 2 targeted measure (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 (WFD) measures. 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 2016-2108. CERP could then take effect from 2019. As is done now 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.

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

Pillar I payment reduction	Existing modulation		10%	20%	35%	55%	75%	100%		
Interim Article 68 payments			Payments for specific practices and ECAs							
Revision to EAFRD	RD and LFA revisions									
New EAFRD programming	Current programming		Higher Axis 2 funding, application of HNV / Natura 200							
CERP legislation						Legislation approved				
CERP implementation								CERP implemented		
YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021

Table 7.1. A gradual transition from CAP to CERP



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 oriented and less trade distorting agriculture.

A new CERP would:

- Achieve sustainable land management, addressing the many environmental challenges facing rural Europe including combating problems such as eutrophication and improving water management, reversing declines in biodiversity and promoting climate change adaptation and mitigation.
- Support 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.
- Offer a much more transparent and efficient use of taxpayers money.
- Represent a much more equitable

policy, based on the delivery of public benefits and not on rewarding historic production.

- 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.
- Result in a more market orientated agriculture and avoid trade distortion.



Action for change

Time must not be wasted in moving towards a new vision for rural Europe to combat problems such as eutrophication of the Baltic Sea. Land management and rural development must be put 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 combat eutrophication of the Baltic Sea, achieve better water management, 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 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 and taxpayers to address the many environmental problems of the past and forge a new and sustainable future for Europe's rural areas.





“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. How to achieve this is the focus of this vision paper.”

WWF is one of the world's largest and most experienced independent conservation organisations, with almost 5 million members and supporters and a global network active in some 100 countries.

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 Baltic Ecoregion Programme is part of WWF, set up to save the Baltic marine environment and restore vitality and beauty to the surrounding region.

Please contact us for more information!

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