



Fit, fair and sustainable: Proposals for a new EU Common Agricultural Policy

Conclusions of a study commissioned by NABU (BirdLife Germany)



A new study commissioned by NABU (BirdLife Germany) outlines a radical reform model to create a Common Agricultural Policy (CAP) that delivers on the EU's biodiversity and other environmental targets taking into account effects on farmers' income. As a contribution to the upcoming debate on the new CAP 2021-2027, NABU presents here the key messages that it has drawn from this study, followed by a summary of the main findings by the authors of the study, Rainer Oppermann (IFAB, Mannheim) and Sebastian Lakner (INA, Göttingen).

Background

The EU Common Agricultural Policy has a profound influence on rural landscapes from the Mediterranean to the Arctic Circle, on the livelihoods of the people who live in them, on the diversity of plants and animals, the quality of water, soil and air, and the climate. The CAP is highly relevant for all EU citizens, because all of society depends on functioning ecosystems and healthy and sustainably produced food. Currently, around 40 % of the EU budget (roughly €60 billion per year) is spent on agricultural payments, meaning that on average, the CAP costs each EU taxpayer €112 per year.

Over centuries, agriculture has had a positive effect on biodiversity in Europe by creating structurally diverse landscapes and species-rich habitats. These provide food and shelter for species like lapwing, hare, poppy and many other plants, animals, fungi and important microorganisms. Many species and habitats of conservation importance in the EU would not survive today without low intensity farming practices.

However, farming practices have been changing over the last 50 years. Increasing land use intensity in some areas coupled with land abandonment in others has become the biggest cause of biodiversity loss and ecosystem degradation in Europe. Landscapes are becoming increasingly homogenised, dominated by high-yielding crops and leaving less and less space for nature. Industrial livestock farming leads to nutrient runoff and pollution of groundwater. Excessive use of pesticides has drastically reduced insect populations in the countryside. The CAP has not been the only driver of these developments, but it has played a major role. The "sprinkler" approach of distributing subsidies promoted environmentally damaging intensification without providing sufficient

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The study

Pages 4-7 contain the executive summary of the study "Fit, fair and sustainable:

Proposals for a new EU Common Agricultural Policy" by Dr. Rainer Oppermann (IFAB Mannheim) and Dr. Sebastian Lakner (INA Göttingen), commissioned by NABU. The full study in German can be downloaded at www.NABU.de/agrarreform2021

funding to reward farmers for the services that they can provide to society by protecting and promoting nature.

The CAP has also failed to achieve other political and societal goals, such as the protection of cultural landscapes, the promotion of animal welfare, and the provision of an economic perspective to sustainably operating farmers. The current EU CAP is therefore not fit for purpose when it comes to the demands of the global Sustainable Development Goals (SDGs) as adopted by Germany and the other EU member states.

Considering these shortfalls, and with the aim to make constructive proposals for the forthcoming debate on the EU budget and the CAP 2021-2027, NABU commissioned a study carried out by the Institute for Agroecology and Biodiversity (IFAB, Mannheim) and the Engineering Office for Nature-Protection & Agricultural Economics (INA, Göttingen) to address the following questions:

- What do we know about the environmental impacts of the CAP, particularly following the last reform in 2014?
- How could an alternative agricultural policy be structured so that it addresses the environmental and biodiversity conservation objectives of the EU and follows the principle of “public money for public goods”?
- How would this alternative model affect the incomes of different types of farm holding in Germany?

Key messages from NABU

NABU has drawn the following key conclusions from the study “Fit, fair and sustainable: Proposals for a new EU Common Agricultural Policy”:

1. Overall, the current CAP has a clearly **negative environmental impact**. As a result, the EU will not meet its environmental and biodiversity conservation goals, even considering the changes made in the last reform. The CAP requires urgent and radical reform.
2. A sustainable agricultural policy must be based on **sufficiently demanding legal regulations** that are consistently applied to all agricultural holdings. Environmentally damaging farming practices should be prohibited, regardless of whether the farm receives payments or not.
3. The taxpayers' money spent on agriculture at the moment could be used considerably more efficiently in a fundamentally reformed CAP and with a provision of a **much higher level of public goods** than is currently the case.
4. The study proposes an alternative model, in which the current system of de-facto unconditional direct payments is replaced by **payments contingent on the fulfillment of specific sustainability criteria**. The amount of money received by each holding depends on the extent to which targeted measures, such as those promoting biodiversity, are implemented. These payments not only compensate farmers for income foregone but also provide **attractive economic incentives**. In this way, many more farmers can be encouraged to make a significant difference for nature and the environment, thus ensuring that **public money is used (only) for public goods**.



Sustainable Development Goals (SDGs)

In 2015, the 193 countries of the United Nations adopted the 2030 Development Agenda. Its 17 Sustainable Development Goals aim to ensure that, by 2030, all humanity is able to lead a good life without exceeding the ecological boundaries of the planet. SDG 2 focuses on the promotion of sustainable agriculture, SDG 6 on the availability of clean water, SDG 12 on sustainable consumption and production patterns, SDG 13 on actions to combat climate change and SDG 15 on halting biodiversity loss. www.NABU.de/sdg

5. The calculations presented in the study show that many German farm businesses would be **financially better off** if they decide to carry out targeted measures for biodiversity and the environment at a larger scale and comply to certain sustainability criteria such as a minimum area of ecologically highly valuable land or ceilings of livestock densities.
6. Ways must be found to **simplify** the agricultural payments system and to ensure that it can be adequately **checked and inspected** without threatening the effectiveness of the measures.

In addition, NABU notes that:

7. The calculations in the study are based on the simplified assumption that the amount of funding from the CAP will remain roughly the same for Germany in the future. This assumption is necessary as a basis on which to develop scenarios, but it is likely that the future EU agricultural budget will in fact be significantly smaller than in previous years due to the effects of Brexit and declining political acceptance of farming subsidies. NABU takes the position that **the smaller the future agricultural budget, the greater the proportion of targeted and highly effective measures and the tighter the regulatory framework must be**, so that the same environmental and nature conservation goals can be achieved. Broad-brush, inefficient measures are even less justifiable under these conditions than today.
8. On the other hand, if the CAP can be designed to effectively provide public goods, ensuring the sustainability of farming in the EU and addressing future environmental challenges, then there is a chance that decision makers and society are ready to provide a substantial amount of **taxpayers' money to support agriculture**.
9. This study focuses on the situation in **Germany**, but in principle the proposed model is applicable to other EU member states. Nevertheless, further analysis and discussion is required on how food and agriculture policy can most effectively contribute to a truly sustainable agriculture across the whole EU. We need a system that finds, in all EU member states, the right balance between effectively enforced regulations and targeted public funding that is acceptable to wider society.
10. Independent from the ask to reform the CAP, NABU and other German environmental organizations believe that a stand alone EU Nature Fund should be created to restore species and habitats of EU importance to a favourable conservation status, as required by EU law. The fund should provide €12 to 15 billion per year. Many of these measures can and should be implemented by farmers and forest managers, which is why the Nature Fund should complement a reformed, biodiversity friendly and sustainable CAP.



Germans NGOs asking for a stand alone EU Nature Fund

In addition to CAP reform, the German conservation organisations NABU, BUND, DNR, WWF Germany and BBN ask for the creation of an independent EU Nature Conservation Fund. Find an English summary of the position at: blogs.NABU.de/naturschaetzeretten/naturschutzfonds

Fit, fair and sustainable: Proposals for a new EU Common Agricultural Policy

Executive summary of the study by Dr. Rainer Oppermann (IFAB Mannheim) and Dr. Sebastian Lakner (INA Göttingen)

Recent decades have seen a worsening of numerous environmental problems in European farmland. These include the conversion or use intensification of grassland, the run-off of excess nutrients into water bodies, the increasing use of pesticides, land use intensification to produce bioenergy crops, as well as the continuing loss of semi-natural habitats in agricultural landscapes. Farmland biodiversity continues to decline, and many bird species as well as other animals and plants are becoming increasingly rare.

The greening measures introduced in 2015 to improve the environmental performance of the Common Agricultural Policy (CAP) have done very little to reverse this trend. After almost two years of greening (2015 and 2016), and with the experience gained so far in the current CAP programming period 2014-2020, we can draw the following conclusions:

- The EU member states and the European Parliament together agreed on greening regulations that required very little change in farming practices in most regions. The individual member states made very little or no use of the more ambitious options.
- Quite logically, farmers generally select the greening options that are easiest for them to implement and not those that have the greatest ecological benefit.
- Overall, the area of farmland under measures of high ecological value is minimal and more or less unchanged compared to the pre-greening period, despite the fact that the greening budget makes up around a third of the total of direct payments.

Given the upcoming opportunity to reform and reshape the CAP after 2020 and the sheer size of the EU agricultural budget, it is critical that we act now to improve this situation. This action must first and foremost be taken via the policy of agricultural support payments. Farmers must be offered agri-environment programmes that are financially attractive, with payments so designed that it is worthwhile for them to make a significant difference for nature and the environment. Those who provide a service for nature should be rewarded for doing so, and only those farms that provide effective and comprehensive environmental and nature protection should receive payments. It should make economic sense for a farm to invest in their ecological performance, integrating ecologically sensitive or nature-friendly farming practices into the core of their business.

This study presents a CAP 2021 reform model outlining how such a system of EU agricultural payments could be structured. The core elements of this model are the abolition of the current two-pillar system, and the introduction of graduated EU funding for different measures that are remunerated based on both performance and the need for financial incentive.

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Full version

The full version of the study and further information (in German) can be found at:

www.NABU.de/agrarreform2021

The CAP 2021 reform model proposed here consists of three main modules:

- **Sustainability:** the current basic payment and parts of the greening payment are replaced here by a farm Sustainability Payment (SuP). The SuP is tied to various requirements on the individual holding (such as a minimum proportion of ecologically highly valuable areas in both arable and grassland, and an upper limit on livestock density) and payments can be graduated according to landscape (e.g., the proportion of landscape elements, steep slopes or water bodies on the farm area), animal welfare and climate protection criteria.
- **Agri-Nature:** this is the most important module of the proposed funding model and is accordingly linked to a high rate of EU cofinancing. Agri-Nature Payments (ANP) compensate farmers for measures of high ecological value. They include a considerable economic incentive so that it is attractive for farmers to implement these measures over a significant proportion of their land. Ten highly effective priority measures benefitting biodiversity and the natural environment will be offered across the EU, whereby each member state or region can choose the most appropriate ANP measures for their region, and if necessary modify or extend them.

If farmers implement ANP measures over at least on 10% of their agricultural area and ensure that these are applied effectively and in a targeted manner by involving nature advisory services, they can receive an additional farm-specific Nature Management Payment (NMP).

The Agri-Nature module also includes a sub-module of Nature Development Payments (NDP). These support measures that are particularly beneficial for biodiversity, i.e. those that are targeted at certain species or habitats, e.g. alongside watercourses, in woodland or mires.

- **Rural development:** this module includes priorities covered in the current EU rural development strategy, such as further Agri-Environment-Climate Measures (AECM), Organic Agriculture Measures (OAM), and other Rural Development Measures (RDM).

In contrast to the “sprinkler” approach of the current first pillar funding system, the model proposed here is based on the concept that all measures and funding priorities should in future be designed and cofinanced considering their societal benefits. Graduated payment levels and a bonus payment for implementing measures of high ecological value ensure effectiveness of payments, and greater flexibility without added costs for the authorities make this funding model particularly attractive for member states. To ensure environmental standards do not decline in holdings outside the payment scheme, the regulatory system should be strengthened and applied to all farms independently of any payments they receive.

This study presents economic calculations for several types of farm holdings in Germany based on the proposed payment model, and considers the effects of this model on the CAP budget at EU, German and federal state level. The results of the models show that the proposed system is financially attractive for the majority of farm holdings and for the public authorities as well; its costs do not exceed those of the current agricultural policy but bring significantly greater benefits. It simultaneously addresses several environmental priorities and, in contrast to the current system, it provides a meaningful use of public money.



Proposed payments under the CAP reform model 2021

- Sustainability (SuP)
- Agri-Nature (ANP)
- Nature Management (NMP)
- Nature Development (NDP)
- Agri-Environment-Climate (AECM)
- Organic Agriculture Measures (OAM)
- further Rural Development Measures (RDM)



Returns for farmers and the environment

The calculations show that ecologically sensitive farming under the reform model is profitable for the majority of farm businesses. As such, the CAP could address multiple environmental priorities as well as providing a much more accountable use of public money.

The most important results of the calculations can be summarised as follows:

- Model scenarios were developed for payments to four types of arable and livestock holdings based on existing regionalised data from a number of different regions. The calculations showed that holdings that implement targeted conservation measures on 10 % of their arable area and 20 % of their grassland area were 5-10 % better off financially compared to the current system, even when taking reduced yield into account. Thereby the reduced yield has been considered. Holdings with smaller proportions of ecologically valuable area would have to face income reductions (depending on the options chose generally 5 - 30 %). These changes would make the agricultural payments system much more accountable and fairer to taxpayers.
- Based on the positive economic outcome of this CAP 2021 reform model for farmers, it is likely that under this system a large number of farms would devote significant areas to highly ecologically effective measures. The sustainability payments would thus be able to cover 75 % of the agricultural area, and the target of ecologically effective measures implemented on 10 % of the arable area and 20 % of the grassland area in Germany would be achieved.
- The proposed model of agricultural payments is calculated to come at the same cost as the current system at EU, national and regional levels (calculated here using the example of Germany). The current budget would be sufficient; however, it would deliver a much greater area of ecologically valuable measures, allowing the achievement of biodiversity objectives and further environmental goals (water, climate and animal welfare protection). The reform proposal provides much greater flexibility and responsibility at the national and regional levels. In the areas of Agri-Nature and Agri-Environment-Climate there would be six times as much funding available for the implementation of spatially targeted and species-specific measures. Currently, around €468 million are available for Agri-Environment-Climate Measures in Germany: under the proposed CAP 2021 reform model this segment, including the significant Agri-Nature Payments, would receive €2.9 billion. However, this funding must be subject to ambitious programming and implementation, so that its effect is not diluted. The environmental authorities from the EU down to the regional level must have a leading role in designing the instrument for the funding of biodiversity and environmental measures.
- The application, administration and inspection processes must be made much simpler than under the current system. A systematic and continuous monitoring system should be set up to track progress and support the achievement of goals; in the mid- to long-term, the funding from the EU level should be linked to the achievement of goals, including the conservation and restoration of biodiversity.
- Considering the unpredictability of the future EU agricultural budget, we should assume that the smaller the CAP budget, the larger the proportion of ambitious targeted measures for the environment and public goods must be if the same societal goals are to be achieved.

The proposed 2021 reform model will allow the Common Agricultural Policy to be

- fit for the future and to address societal demands,
- fair to farmers who respect the natural environment and to taxpayers,



Winners and losers

Farmers that implement targeted and highly effective ecological measures on at least 10 % of their arable land and 20 % of their grassland are financially better off (or at least as well off) under the proposed system compared to the current system. In contrast, farms with lower proportions of ecologically highly valuable areas are financially disadvantaged.



Sustainability Payment for 75 % of farmland

It is assumed that the reform model is economically so attractive that in future, 75 % of the agricultural area in Germany would receive the Sustainability Payment. Around 10 % of arable land and 20 % of grassland would be under high ecological value measures.

- and sustainable with regard to biodiversity, climate, water and soil, but also to rural communities.

At the same time, this model is constructed to cost the same as the current system but provides member states with additional flexibility as well as responsibility.

This analysis is based on the situation in Germany; however, the proposed model is expected to also be applicable at the EU level. Similar studies should therefore be carried out to investigate its effects in the political, socio-economic and ecological contexts of other EU member states.

