

Research note: CAP Reform - Greening

July 2014

Introduction

On 24 September 2013 a political agreement was reached on the reform package for the **Common Agricultural Policy (CAP) for the period 2014-20**.

Substantial changes were made to the direct payment requirements, including the introduction of a 'greening' requirement. 30% of farmers' direct payments will now be conditional upon them meeting the new greening criteria.

However, the new greening requirements offer Member States and Regions a great degree of flexibility in how they implement these requirements. This allows them to tailor the policy to their own agricultural practices and policies and has led to divergent approaches to greening within the EU and UK.

Details of the new greening criteria and how they are being implemented differently across the UK are set out in this note.

Pillar 1 2014-20

The CAP is based on a two-pillar structure which each fund different policies in different ways.

Direct payments to farmers and support for the agricultural market are described as Pillar 1 of the CAP. This is complemented by the Rural Development Programmes (RDPS) of Pillar 2.

Under the reformed Pillar 1 farmers are being required for the first time to deliver annual environmental measures in order to receive a percentage of their direct payments. These compulsory new requirements are known as 'greening'.

Financial backdrop

Setting the budget for Pillar 1 was one of the most challenging elements of the CAP negotiations as CAP comprises a very significant proportion of overall EU spending; around 40% of the EU budget in 2013¹.

The UK is expected to receive €25.1 billion in direct payments (Pillar 1), which represents a reduction in real terms of 12.6% from 2007-13 levels². The reduction in CAP funds will be shared equally across England, Northern Ireland, Scotland and Wales³.

Wales will receive a Pillar 1 budget of €322 million per annum by 2019 based on current prices; a 9% share of the UK's budget ceiling⁴.

30% of this Pillar 1 budget will be set aside for greening. Additionally, the reformed CAP gave Member States and Regions the option of transferring up to 15% of the Pillar 1 budget to Pillar 2⁵. The different countries within the UK have opted to transfer different amounts from Pillar 1 to Pillar 2 with Wales electing to transfer the full 15%.

Greening requirements

Member States (Member States and their regions are herein referred to as 'Member States') can choose whether to implement the greening payment either as an area-based flat rate per hectare or as 30% of the payment entitlements activated by each farmer

¹ European Commission, Financial programme and budget page, **Budget 2013 in figures as on 19 November 2013**, (website) [accessed 20 June 201]

² .GOV.UK Press Release, **CAP allocations announced**, 8 November 2013

³ *ibid*

⁴ *ibid*

⁵ European Council (EUCO 37/13), **Conclusions on the Multiannual Financial Framework**, 8 February 2013



each year. Farmers receive their direct payments under the new Basic Payment Scheme (BPS), which replaces the Single Payment Scheme (SPS).

Farmers will have to comply with three criteria, which apply throughout Europe, to get the greening payment:

- **Crop Diversification**
- **Retention of Permanent Grassland**
- **Ecological Focus Areas (EFAs)**

However, as an alternative to the standard greening requirements, Member States have the option of establishing their own greening requirements as part of a national certification scheme. The scheme must deliver equivalent environmental benefit and be approved by the European Commission.

Crop Diversification

This only applies to arable land.

Farmers with between 15 and 30ha of arable land must grow two arable crops, with no crop constituting more than 75% of the total area. Farmers with more than 30ha of arable must grow three crops, with one crop no more than 75% and two crops no more than 95%. Winter and spring sown crop varieties are counted as separate crops.

For the crop diversification requirements, a crop is defined in **the botanical classification of crops**, or as land lying fallow, grasses or other herbaceous forage, or as a culture in the botanical 'families' Brassicaceae, Solanaceae, and Cucurbitaceae, which include large numbers of agricultural crops.

Retention of Permanent Grassland

Permanent grassland is defined as land that has been grassland for five years or more. The ratio of permanent grassland to total agricultural area must be maintained and should not decrease by more than 5% compared with the ratio in 2012.

The ratio can be monitored at national, regional or sub-regional level.

If this requirement is monitored at the regional level, a decrease of permanent grassland of more than 5% would mean that individual farmers would be required to convert land back to permanent grassland.

Member States are also required to designate permanent grasslands that are environmentally sensitive and which fall within areas covered under the Habitats⁶ and Birds⁷ Directives. These designated permanent grassland areas will be subject to a ploughing and conversion ban.

There is also an option to extend this ban to sensitive permanent grasslands in other areas falling outside of those covered by the Habitats and Birds Directives.

Ecological Focus Areas (EFAs)

Farmers with more than 15ha of arable land must retain at least 5% as an EFA by 2015, rising to 7% by 2017 (subject to review). Member States have a choice of the land uses and features that can be used by farmers to count towards their EFA obligation.

This list of options includes field margins, hedges, woodland, fallow land, landscape features (e.g. archaeological sites, drystone walls), buffer strips and ponds.

Additional options under this requirement include,

- implementing up to 50% of the EFA obligation at regional level to obtain adjacent EFA areas.
- permitting groups of up to and including 10 farmers to fulfil their EFA requirement on a collective basis, assuming their EFA is contiguous.

⁶ **OJ L 206, 22.7.92**

⁷ **OJ L 20/7, 26.1.10**



- the use of a conversion matrix to apply conversion and weighting factors when calculating the contribution of the individual EFA features to meeting the total obligation at farm level. This can be used to convert linear features into an equivalent area that reflects its ecological benefit.

Compliance and Exemptions

Farmers who do not comply with the greening requirements will lose their greening payment.

From 2017, farmers who do not comply with greening requirements will also lose an additional amount equivalent to 20% of their greening payment, rising to 25% from 2018.

Some farms may be exempt from individual greening measures or the greening requirements as a whole whilst still being eligible for the greening payment. For instance, organic farms are wholly exempt.

Farms may be exempt from crop diversification requirements if⁸:

01. more than 75% of eligible land is:

- permanent grassland;
- used to produce grasses (or herbaceous forage);
- used for the cultivation of crops under water; or
- a combination of the above and remaining arable land is 30ha or less.

02. more than 75% of arable land is:

- lying fallow;
- used to produce grasses (or other herbaceous forage); or
- a combination of the above and remaining arable land is 30ha or less.

⁸ DEFRA, *Greening: work out what it means for you*, June 2014 [accessed 26 June 2014]

03. the farm comprises new land and different crops:

- more than 50% of the eligible arable land declared on the BPS 2015 application is different to the land declared on the SPS 2014 application;
- if the eligible arable land declared on the BPS 2015 application is used to grow a different crop from the 2014 calendar year.

Farms may also be exempt from EFA requirements if⁹:

01. More than 75% of arable land is:

- fallow land
- temporary grassland
- used for cultivation of leguminous crops
- a combination of the above and the rest of arable land is 30 hectares or less.

02. Or if more than 75% of total eligible agricultural area is:

- permanent grassland
- temporary grassland
- used for the cultivation of crops grown in water (such as Watercress)
- a combination of the above and the rest of the arable land is 30 hectares or less.

Research **published in the journal Science** estimated that between 80 and 90% of farmers and 50% of total farmland in the EU may be exempt from at least two of the three greening requirements.

The authors of the research described the greening measures as 'so diluted that they are unlikely to benefit biodiversity'.

⁹ DEFRA, *Greening: work out what it means for you*, June 2014 [accessed 26 June 2014]

Tailoring the Policy

By allowing for Member States to develop their own national certification as an alternative or to complement the greening requirements, there is a greater degree of flexibility offered by the CAP 2014-20 compared to previous implementations.

Each government of the UK has different CAP arrangements. Europe must be notified as to how each government will allocate direct payments by 1 August 2014. Additionally, the governments must notify recipients of the BPS the exact criteria for the package of greening measures they intend to implement.

Greening decisions: Welsh Government

On 14 January 2014 the Minister for Natural Resources and Food, Alun Davies, announced the Welsh Government's decisions for the implementation of the reformed CAP¹⁰.

The Welsh Government intends to implement the standard greening proposals. The Welsh Government stated that¹¹:

Adopting the default measures is the most straight forward means for the majority of farms to qualify without significantly impacting on their businesses. There was significant support for this option in the consultation responses. Pillar 2 is a better mechanism to take action to benefit the natural environment.

¹⁰ Welsh Government, Alun Davies (Minister for Natural Resources and Food), *Implementation of a new Common Agricultural Policy*, Cabinet Oral Statement, 14 January 2014 [accessed 26 June 2014]

¹¹ Welsh Government, *The Common Agricultural Policy Reform, Direct Payment to Farmers: Decisions*, January 2014 [accessed 26 June 2014]

The Welsh Government also intends to transfer the maximum allowed 15% of the Pillar 1 budget to Pillar 2¹².

Further decisions on how Pillar 1 will be implemented in Wales were announced on 1 July 2014¹³.

Regarding EFAs, claimants will be allowed to include fallow land, hedges, stone walls, short rotation coppice, afforested land and land used for nitrogen fixing crops. The Welsh Government stated that:

Most Welsh farms will qualify as green on the basis of permanent grassland but for those that do not the EFA choice is intended to offer flexibility as well as promoting land uses that have environmental benefit.

The definition of 'permanent grassland' has been extended to include shrubs and trees which are grazed, and land on which grasses and herbaceous are not predominant, such as heath. Permanent grassland in any terrestrial Site of Special Scientific Interest (SSSI), excluding sites designated solely for geological or earth science features, will also be designated as a further sensitive area.

The greening payments will be managed at regional level and options to allow joint EFAs will not be implemented because, the Welsh Government states, the benefit is outweighed by the administrative complexity and compliance risk. The Welsh Government's decisions follow a **consultation on direct payments to farmers** that was conducted before the CAP reform deal had been agreed; the consultation was open between 6 February 2013 and 7 May 2013 and received 40 responses in total.

¹² Welsh Government, *The Common Agricultural Policy Reform, Direct Payment to Farmers: Decisions*, January 2014 [accessed 26 June 2014]

¹³ Welsh Government, Alun Davies (Minister for Natural Resources and Food), *Further decisions on Pillar 1 of the Common Agricultural Policy*, Cabinet Written Statement, 1 July 2014 [accessed 2 July 2014]



It is estimated that 86% of farms over 20 ha and 98% of smaller farms in Wales will qualify for greening payments via the permanent grassland requirement alone¹⁴.

Greening decisions: UK

England

In December 2013, **the UK Government announced** that it intends to implement the standard measures.

The greening criteria for new EFAs were **announced on 10 June 2014**. Farmers will be able to choose how to meet the EFA requirement from a list which includes:

- leave land fallow
- create buffer strips
- use 'catch and cover crops' for soil fertility and quality
- use nitrogen fixing crops like legumes
- use hedgerows

The UK Government stated that the decision to include hedgerows as an option for the EFA requirements was a consequence of having to balance conflicting pressures to make greening compliance simple whilst only committing to deliverable options.

Additionally, the UK Government will not designate additional areas of sensitive land¹⁵.

Payment reductions will apply to farms entered in the Entry Level Stewardship scheme (Pillar 2) on or after 1 January 2012 to prevent the double funding of similar environmental services through both

¹⁴ Welsh Government, *The Common Agricultural Policy Reform: Direct Payments to Farmers: Next Steps*, 6 February 2013 [accessed 27 June 2014]

¹⁵ UK Government, *Consultation on the implementation of CAP Reform in England: Government decisions on Greening*, June 2014 [accessed 24 June 2016]

Pillars¹⁶. For example, payment could not be received for the creation of a grass buffer strip as a greening measure (Pillar 1) as well as a buffer strip under the agri-environment-climate measure (Pillar 2).

The UK Government has decided to transfer 12% of funds available in Pillar 1 to Pillar 2, an increase from 9% from the implementation of CAP 2007-13¹⁷.

A UK Government Press Release states that during EU negotiations the Department for Environment, Food and Rural Affairs (DEFRA) argued against greening requirements forming part of Pillar 1 as they believe environmental benefits are better delivered through Pillar 2.

Environment Secretary Owen Paterson said:

We want farmers to be free to do what they do best: producing food and helping to grow the economy. I have said all along the EU's CAP reform is disappointing, but we have worked hard to remove the worst aspects and to make these new rules as easy as possible and given flexibility on how they are implemented, as well as reducing the burden of regulations.

Scotland

The **Scottish Government has announced** a package of greening measures that includes some standard and some equivalent measures:

- **Crop Diversification** - farmers will be allowed to choose the standard greening requirements, an equivalent 'winter soil cover' requirement, or an equivalent 'catch crops' requirement.

¹⁶ DEFRA, *Double Funding and Environmental Stewardship agreements*, [accessed 24 June 2014]

¹⁷ UK Government (Press Release), *Implementation of CAP announced*, 19 December 2013

- **Permanent Grasslands** - farmers will be required to produce a nutrient management plan, with this being largely targeted at the most intensive farms.
- **EFA**s - standard measures will be implemented and features such as fallow, buffer strips along watercourses and field margins, catch crops and nitrogen fixing crops (with management prescriptions) will count towards the requirement.

The greening payments will be implemented using an area based strategy whereby farms will be paid according to traditional land quality¹⁸. The Scottish Government will also not be designating additional grasslands and the EFA requirement will only be implemented at individual farm level.

Northern Ireland

The Northern Ireland Executive has decided not to use any equivalent options as greening requirements¹⁹. It has also announced that permanent grassland will be monitored at regional level rather than individual farm level and that it will not take up other options such as the extension of the ploughing/conversion ban to undesignated areas of grassland, or collective arrangements between adjacent farms to meet EFA obligations²⁰. All eligible land will be treated equally and reduction coefficients will not be applied²¹. There will be no transfer of funds from Pillar 1 to Pillar 2 or vice-versa²².

¹⁸ Scottish Government, **CAP Reform**, Cabinet Secretary's Parliamentary Statement, 11 June 2014.

¹⁹ Department of Agriculture and Rural Development, **CAP Pillar I Direct Payments – Summary of Decisions**. 14 March 2014 [accessed 23 June 2014]

²⁰ *ibid*

²¹ Northern Ireland Executive, Michelle O'Neill (Agriculture Minister), **Technical Decisions on CAP Pillar I Direct Payments**, 9 April 2014 [accessed 24 June 2014]

²² Northern Ireland Assembly, **Current status of CAP implementation in the UK and Ireland**, 16 April 2014 [accessed 26 June 2014]

The following features and areas will be used as EFA criteria in Northern Ireland²³:

- Land lying fallow;
- Landscape features required to be retained under cross compliance (which will in any event include hedges, ditches and stone walls);
- Areas of agro-forestry;
- Areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products;
- Afforested areas which were used to claim SFP in 2008; and
- Areas with nitrogen fixing crops.

²³ Department of Agriculture and Rural Development, **CAP Pillar I Direct Payments – Summary of Decisions**. 14 March 2014 [accessed 23 June 2014]



Further information

For further information about **CAP Reform - Greening**, please contact **Nia Seaton** (Nia.Seaton@Wales.gov.uk), Research Service.

See also:

National Assembly for Wales Research paper: **CAP Reform 2014-20: EU Agreement and Implementation in the UK and in Ireland**

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