Capping the CAP

Using EU farm subsidies to protect the environment and support small family farms in the South West

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The authors Molly Scott Cato and Henry Gent on Henry's dairy farm in Devon

Summary

The South West Green Party rejects the competitive market logic that is currently praised by Defra as the objective of agricultural subsidy reform. We believe that agriculture and the management of the countryside have a special place in national life and should not be exposed to market forces.

We also reject the productivist logic that has driven farming for the past 70 years. While this has achieved massive increases in yields it has not protected the family farms that provide the backbone of rural life and has come at a great cost to the natural environment.

In return for their protection from market competition we would require farmers to accept their responsibility to future generations and non-human animals.

An examination of the Defra website indicates that significant sums are being paid from EU farm payments to private corporations including Serco Regional Services and the Stowell Park Estate.

Some of the public bodies that protect the countryside are also reliant on CAP payments – including the National Trust and the county-level wildlife trusts. They would not be affected by a policy to shift the focus of payments away from size of holdings and towards environmental benefit.

In terms of practical proposals to reform the CAP system we would argue for:

- accepting the maximum limit on individual and corporate CAP payments of €300,000, as proposed by the Commission, and reducing this further in future years.
- abolishing the distinction between Pillar 1 and Pillar 2 payments and requiring all CAP payments to be based on the achievement of environmental benefits.

Introduction

The potential for European policy to create positive change is enormous: political directions drive farming and a greener agriculture policy across the 28 countries would be a massive improvement for the world.

Andy Bragg, Devon farmer

In spite of the generalised emphasis on market liberalisation and open competition, the farming sector appears immune in the developed economies of the West, where subsidies to farmers are the norm. These subsidies constitute vast amounts of public spending: from 1998 to 2004 US farmers received an annual average of $17bn., whereas the EU Common Agricultural Policy involved transfers to farmers of about €55bn. annually.[1]

There is obviously something special and fundamental about the business of farming. This is why we do not leave it to the vagaries of the market but support farm incomes with public subsidies. This recognition of the special place that farming has in our national life also explains why, in a single-market that is ideologically wedded to unrestrained competition, the agricultural sector is still protected by a range of external tariffs and quotas, shielding European farmers from global competition.

This special treatment, which as Greens we accept and support, places a duty on farmers to use the land for the common good and not just for their individual advantage. In this paper we explore ways in which we might use the EU subsidies to move the South West farms towards the green vision of agriculture. We are seeking to support a sustainable farming sector that builds local resilience and creates high-quality jobs. To achieve this we believe that we need to use the subsidy system to encourage smaller farms using less intensive and preferably organic systems of production. We seek a system of payments to support farming systems that responds to the enormous desire and capacity of people to work on the land while also creating jobs through supporting food delivery systems that reduce food miles and connect local producers and consumers.

The Common Agricultural Policy is driven by three main motivations:

- supporting the rural economy and underpinning farm-based livelihoods
- protecting the rural environment and protecting biodiversity
- encouraging innovation to make European farming more globally competitive.

It is clear that these objectives are inconsistent and are taken from distinct visions of the purpose and nature of rural life. They are also understood differently in different EU member-states that have conflicting views of the role of farmers and agriculture in their national life.

Payments made through the CAP are divided between two 'pillars':

Pillar 1 is mostly composed of direct payments to farmers and landowners in the form of the Single Payment Scheme (SPS), and accounts for around 80% of total CAP spending. Pillar 2, known as 'rural development', aims to promote economic, social and environmental development with rationale similar to the EU's Structural and Cohesion funds – but with a specific focus on rural areas – and accounts for 20% of total spending. Pillar 1 is delivered directly through the EU budget, while Pillar 2 is subject to co-financing from the EU and national governments.

This system of inconsistent objectives has grown up piecemeal and as the subject of intense lobbying. We argue here for a more strategic approach to agricultural subsidy that responds to a green vision of the role of farming in our national life.

The CAP and the environment

The share of the CAP spent on explicit environmental aims in the UK is only 13.6%, and could be even lower in the EU as a whole. By failing to differentiate between different types of land, direct CAP subsidies actively channel public resources away from where they could create the biggest environmental gain.[2]

The original justification for farm subsidies in the early years of the common market was to support a farming industry that needed to provide more food for the hungry people of Europe. For this reason maximising yields was the prime objective and as science contributed to the development of intensification practices the environment suffered. The debate over the reforms to the CAP passed earlier this year were intended to have focused on increasing the emphasis in environmental protection. The reception to the watered-down proposals that were finally agreed has been disappointment, particularly from environmentalists.

Writing back in the spring the BBC's environment analyst, Roger Harrabin, noted that 'the European Parliament has rejected campaigners' demands to tie the majority of farm subsidies to protection of the environment... It now looks inevitable that farmers will continue to receive most of their €58bn (£50bn) subsidies for doing little more than owning land.'[3] He also cited evidence from a poll conducted on behalf of the CPRE the previous year which found that 'well over four out of five British adults (84 per cent) believe that farmers have a responsibility to look after the landscape and wildlife for future generations.'[4] What was passed by the parliament did mean that farmers should work for 30% of their payments by operating in a way that benefits wildlife but Friends of the Earth Europe were highly critical of the exemption of more than 30% of utilised agriculture area from greening measures.

Alastair Driver, writing in the Farmers Guardian, summarises the environmental aspects of the reformed regime as follows:

'Under the new regime, EU farmers will have to comply with greening measures to qualify for 30 per cent of their new Basic Payment from 2015. The three basic measures are crop diversification, the maintenance of permanent grassland and the need to establish Ecological Focus Areas (EFA) on 5 per cent of arable land.'[5]

Assessing the past achievements of Pillar 2 payments, Janet Dwyer of the University of Gloucestershire concludes that:

'Aid for farm investment and agricultural infrastructure have, in some cases, been used to help shift farming practices away from more damaging or wasteful forms of production and towards greater resource efficiency – for example, in the management of water and soils, or in climate change mitigation strategies. In south-west England, these measures have been offered along with training and demonstration aids within 'soils for profit' and 'South West Agricultural Resource Management' projects, which help farmers to understand and implement actions to improve soil structure and reduce erosion and leaching, interacting closely with scientists.'[6]

The response from the UK government

In October Defra published a consultation paper on how they proposed to implement the revised CAP regime in the UK. Environment Secretary Owen Paterson introduced the paper as 'a major opportunity to invest over seven years in the rural environment, farming competitiveness and the rural economy'. He suggests transferring the maximum 15% of farm payments from Pillar 1 to Pillar 2, so that more of the money farmers receive should be linked to environmental benefits. He fails to note, however, that the United Kingdom was one of the most powerful opponents of a system of ending the tying of CAP payments to the size of land holdings, thus creating a built-in bias in favour of larger farmers when CAP payments are made.

According to Alastair Driver in the Farmers Guardian, this 'could amount to £1.889bn over the seven years of the next CAP regime, compared to £1.615bn voluntarily transferred during the 2007-13 Programme. . . A separate evidence paper concludes the 15 per cent transfer would generate net benefits of around £3bn in Pillar 2 compared with potential lost agricultural output of £0.1bn arising from the transfer out of Pillar 1.' Defra calculates that a 9 per cent transfer would result in just over £1bn being shifted into the rural development pot.

In its consultation Defra suggests three objectives driving its implementation strategy:

- Promote strong rural economic growth
- Improve the environment — this includes helping to ensure that by 2021 the natural environment is improved as set out in the Natural Environment White Paper
- Increase the productivity and efficiency of farming and forestry businesses, in order to improve their competitiveness and reduce the reliance of farmers and land managers on subsidies.

In seeking an economy based on sustainability and equity we reject all three of these objectives. They arise from a view of farming driven by a productivist logic which is now outdated and incompatible with a strong view of sustainability. In terms of the first objective, while we also support the need for a strong rural economy we would focus rather on building resilient local economies to counter the destructive consequences of economic globalisation. Our vision of economic success in a rural setting is the strengthening of livelihoods within convivial communities living in balance with the natural world. It is a vision focused on quality rather than the focus on quantity implied by a narrow attention to economic growth.

The third objective also clearly arises from this productivist logic but combines with it a view that farming can one day compete as part of the global competitive economy. As already stated we do not believe that this is the case and we suggest that the need for farming to be politically managed will persist.

As Greens we welcome the favourable treatment being offered to organic farmers under the proposed Defra regime, which we take as support for our long-held position that organic farming is more sustainable and better for the environment than intensive farming. If this is so it does raise the question why there is no effort within the regime to create incentives for all farmers to move towards less-intensive, pro-environment systems of production.

Ultimately we seek a regime where there will be no distinction between Pillar 1 and Pillar 2, but where all farmers seeking EU subsidy will be required to demonstrate that they are providing environmental benefits. Such benefits might include:

- creating suitable habitats to encourage biodiversity
- improving soil fertility
- providing opportunities for carbon sequestration
- underpinning local food resilience
- protecting water supplies
- ensuring the highest standards of animal welfare.

The CAP and farmers' welfare

20% of farm holdings still receive 80% of all direct payments under the CAP
The Greens/EFA in European Parliament[7]

In the document addressing the issues to be covered in the CAP reform the Greens in the European Parliament note:

> *'In member states, a handful of mainly large agro-industrial producers are being paid more than €300,000 per year – mainly to be more competitive and grow. In France, the 160 biggest farm holdings receive €123 million, the same amount as the total receipts of 100,000 smaller French farmers.'*

It has long been a source of concern that in these days of austerity the incomes of farmers are being supported when those of many earning low incomes are not. As we have already stated we accept the unusual status of farming within our economy, however we do not accept that wealthy farmers should receive large sums of what amounts to corporate welfare. To address this situation, which in itself exacerbates inequality in the farming sector, we would follow the Commission's recommendation of a maximum amount to be available to any one farmer rather than allowing payments to be related directly to the size of land holdings.

In its consultation paper on implementing the reformed CAP regime, Defra actually moves in the opposite direction (Driver again):

> *'The CAP Regulation requires member states to put in place measures to curb the biggest payments. Defra intends to implement the minimum option of cutting payments above a threshold of €150,000 by 5 per cent. It has the option of imposing bigger cuts up to 100 per cent but is proposing the smallest reduction to 'minimise distortions' of the CAP and avoid 'adversely affecting the competitiveness of our farming industry'.*

This is evidence of a clear bias in government towards large landowners and large-scale farming. Since our objective is to support small family farms we would propose instead imposing the cap of €300,000, as a first step towards a more restricted maximum rate in future. This would make considerably more money available to support the incomes of smaller and tenant farmers and to underpin the transition to organic production of any farmers choosing that option. The Green Group has estimated that introducing a ceiling for farm-based payments at a level of €100,000 per year would allow for €7 billion to be redistributed between member states and farmers.

Given our preference for smaller-scale, family farms we are also disturbed by the Defra proposal to increase the size of holding that can be eligible to receive a CAP payment:

> *'The current minimum claim size for the SPS in England is one hectare. Ministers have decided that in order to achieve the best value for money, the minimum claim size for the new scheme should be fixed at five hectares.'*

It is important to consider the impact of the subsidy regime on the structure of farming in the UK. As Greens we would strongly oppose this proposal since it works against the smallholding activities that currently support rural livelihoods and that we would like to see expanded.

Where the CAP money goes in the South West

When we think about the purpose of the EU single-payment subsidy regime we probably have in mind the support of the incomes of struggling farmers. However, an analysis of the Defra database makes clear that this is far from the case and that much of the money that is received in the South West from the CAP fund actually finds its way to some rather unexpected recipients. We decided to explore the largest CAP grants to begin a public discussion of how this money is shared in the South West. The results were thought-provoking.

Of some concern are the sizeable sums being diverted away from farm incomes and towards corporate welfare, such as the sum that was received last year by Serco Regional Services. The project which 'aims to support a step change in the international performance of companies in Cornwall and the Isles of Scilly' received £1,793k together with another £1,546k of ERDF Convergence funding. The Serco Group is currently the subject of a criminal investigation following 'allegations they had billed the Ministry of Justice for monitoring 3,000 non-existent offenders on a lucrative electronic tagging contract'.[8] Another private company, Ensors, an abattoir based in Cinderford in the Forest of Dean, also received the princely sum of £1,353k.

Some of the large landowners in the South West are private estates and it seems that these businesses and their wealthy owners are doing rather well out of the CAP funding system. For example, the Stowell Park Estate, a 'private agricultural and sporting estate in the heart of the Cotswold Hills close to Northleach', which has belonged to the Vestey family since 1921, received £470k.

Land managers, who would seem to be able to cope quite well during a time of high land prices, are also recipients of some of the largest grants. A large sum went to East Devon Heaths Land Management Company, a

Table 1: Some of the South West's Recipients of CAP payments above €300,000 in 2012

Recipient	Pcde	Area	Rural development	Direct Aid	Total
National Trust	SN2	Swindon	£4,939,887.30	£2,866,689.98	£7,806,577.28
Duchy Rural Business School, Cornwall College	TR15	Redruth	£3,586,329.28	£0.00	£3,586,329.28
Serco Regional Services Ltd	PL6	Plymouth	£1,793,070.20	£0.00	£1,793,070.20
Cornwall Development Company Ltd	TR1	Truro	£1,453,530.83	£0.00	£1,453,530.83
G Collins	SN10	Devizes	£206,084.50	£914,053.03	£1,120,137.53
Harley Farms (South)	BA12	Warminster	£194,718.48	£731,747.94	£926,466.42
Trevear Farms Limited	TR19	Penzance	£494,888.62	£0.00	£494,888.62
Stowell Park Estate Ltd.	GL54	Cheltenham	£90,033.52	£379,573.77	£469,607.29
Hopkins Developments Ltd	BA9	Wincanton	£50,411.01	£278,259.00	£328,670.01

Source: data retrieved from the Defra database by Richard Lawson.
Data to be found at: http://cap-payments.defra.gov.uk/Search.aspx

real-estate management company based in Exeter. That received £362k. Sentry, a land management company based in Ipswich, received £634k via a Dorchester postcode, while Hopkins Developments Ltd, a property development company based in Wincanton, Somerset, received £329k.

We would also question the allocation of funds between those recipients who seem to be legitimately focused on farming. Because the CAP relates to the size of land holdings some of the largest farmers received the highest sums; for example G Collins, a dairy farm based in Bampton, Oxfordshire, received £1.1m via a Devizes postcode, while Evershot Farms, based in Dorchester, received £1.2m. Another recipient of a high level of grant is Trevear Farm (£494k), near Land's End, run by enterprising farmer Richard Thomas. The farm has 250 dairy cows, 200 fat stock cattle and around 400 acres for growing potatoes in addition to wheat, barley and maize to feed the cattle, as well as moving into renewable energy developments on the farm. While we would applaud his innovative approach we would question whether so much of the limited EU money should be going to one farm.

Although the new rule on 'degressivity' means that all payments over €150,000 will be reduced by at least 5% (excluding the aspects that relate to 'greening'), we do not consider that this does anything like enough to address the 'regressivity' inherent in the existing system, where payments relate to the size of land-holdings.

There are also a number of public and quasi-public bodies receiving very large payments. The largest recipient is Duchy Rural Business School c/o Cornwall College, which receives £3,586k. Also near the top of the list is Cornwall Development Company Ltd, an 'arms-length economic development company of Cornwall Council' that is 'designed to deliver a bespoke, business-facing service to deliver the economic vision and strategy for Cornwall', which received £1,454k. Some of our local authorities are receiving very large grants including: Wiltshire Council (£1,054k) Devon County Council (£669k) and Forest of Dean District Council (£408k). Again we suggest that citizens might be surprised to find that these large sums are directed towards public bodies from a fund that is portrayed as supporting rural agricultural incomes. In reality, some of the largest CAP payments are dedicated to rural economic development more widely.

Finally, we should note that some of our environmental protection bodies are recipients of some of the highest payments at present, including the National Trust (£7,806,577.28), the Forestry Commission (£1,829,693.85), the Cornwall Wildlife Trust (£660,459.04) and the Somerset Wildlife Trust (£573,719.89). As important public bodies that ensure the countryside is preserved we need to design a system that will reward them for this work, which a shift towards making all payments dependent on ecological benefit would achieve.

Conclusion: a flourishing future for farming

In Europe, only 6% of farmers are younger than 35, while 80% are older than 55. More than 7 million more farmers will disappear in the next 10 years without successors if the CAP remains unchanged

The Greens/EFA in European Parliament

Between the fight with the supermarkets and the struggle to maintain a decent livelihood in hostile economic conditions, a life in farming is becoming increasingly unattractive to young people. This is clear from the statistics on the average age of farmers and the low numbers of young people entering the sector. Even for landowning farmers, inheriting a farm can feel more of a burden than a privilege.

It is in this context that we propose our Green vision of farming. Rather than suggesting a greater investment of cash we propose that the huge sums that are already spent subsiding farming are invested following a different strategy to achieve an alternative and better future for our farmers. As the Green Group argued during debates over the CAP reform:

'The CAP should be used to make rural life not only attractive for 'competitive' young farmers but also for newcomers. It should support cooperation between small farmers, community farming, better access to land and training in sustainable practices. In this way, the CAP can promote decent work in local and efficient food chains instead of consigning rural life to the past. Solidarity between generations and active generational renewal should be a new European priority.'

We suggest that the two main mechanisms needed to achieve this vision are to allocate farm subsidies more equitably by capping the CAP and cutting the link between size of holding and size of payment; and beginning a transition towards the abolition of the Pillar distinction and requiring environmental improvements in exchange for all single-farm payments.

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