

APPENDIX 1A.5

POLICY REVIEW

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THE POTENTIAL IMPACT OF CURRENT POLICIES CAP REFORM AND CROSS COMPLIANCE.

INTRODUCTION

On 26 June 2003, EU farm ministers adopted a fundamental reform of the Common Agricultural Policy (CAP). The reform was to completely change the way in which the EU supported its farming sector by decoupling from a headage basis and instead introducing area based payments.

The key elements of the new, reformed CAP are as follows:

- a single farm payment for EU farmers, independent from production and simplifying CAP; limited coupled elements may be maintained in specific circumstances to avoid abandonment of land
- the single farm payment will be linked to complying with environmental, food safety, animal and plant health and animal welfare standards. In addition farmers will have to keep all farmland in good agricultural and environmental condition ("cross-compliance")
- a strengthened rural development policy with new measures to promote the environment, food quality and animal welfare and to help farmers to meet EU production standards starting in 2005
- compulsory EU wide "modulation" to support environmental and rural development objectives
- a mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshoot
- revisions to the market support policy of the CAP:
- differential market support price cuts in the milk sector: The intervention price for butter will be reduced by 25% over four years, for skimmed milk powder a 15% reduction over three years, as agreed in Agenda 2000
- 50% reduction in the monthly increments in the cereals sector. No changes to intervention price

- reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors

A single farm payment to promote a more market-orientated, sustainable agriculture

From 2005, a single farm payment will replace most of the premia under the CAP regime. In England and Wales, the following schemes will be incorporated into the single payment scheme:

Arable Area Aid
Beef Special Premium
Suckler Cow Premium
Slaughter Premium
Beef National Envelopes
Extensification Payments
Sheep Annual Premium
Sheep Annual Premium LFA supplement
Sheep National Envelopes

Consequently, the majority of the EU direct payments will no longer be linked to production. Farmers will receive this single farm payment based on a reference amount in a 3-year reference period of 2000 to 2002, with special provision for farmers who took up occupation of land during this period or up to 31 May 2003. There was provision for the introduction of the single farm payment to be delayed to 2007 in specific circumstances but the UK chose to implement in 2005.

Impact of CAP reform

These reforms free up farmers to farm the land instead of subsidies, which should help to protect the environment and give a better deal to taxpayers and consumers.

Under the reformed, de-coupled system, the farmer will continue to receive money through the CAP as a single income payment. There is no requirement to keep a particular number of cattle or sheep for specific periods to get it. Cross compliance obligations linked to a range of EU standards covering the environment, public, plant and animal health and animal welfare objectives must be met. The land must be kept in good agricultural and environmental condition (GAEC) (as referred to in Article 5 and defined in Annex IV of Council Regulation 1782/2003) by addressing standards linked to soil erosion, soil structure, organic matter and biodiversity.

Other than this, business decisions should now form the main basis for determining farm structures and enterprises.

The down side of this however is that GAEC is poorly defined and does not refer to specific habitats. Thus the situation could arise where important habitat could be lost through a change in management practice without infringing the conditions.

Specific potential effects on moorland management

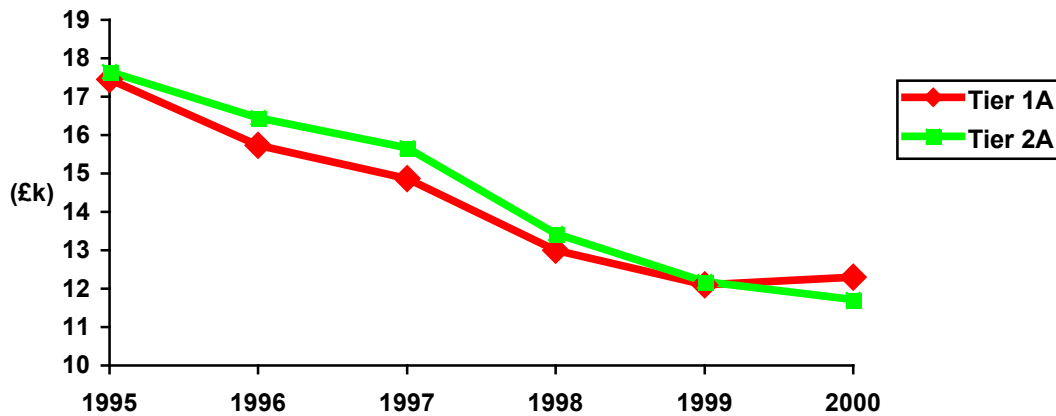
1. Impact on Livestock based systems

In the light of these major CAP reforms, all farmers need to review their business and assess in particular the viability of individual enterprises. The SFP should allow producers the opportunity to restructure their enterprises to be more competitive and such decisions will obviously be greatly affected by market commodity prices.

1.1 Sheep

Reduction of sheep numbers is a very likely outcome of the current CAP reform. Sheep numbers in LFAs declined by 14% during 1992-2004, and are predicted to fall a further 0-4% during 2007-2013 (Defra, 2006). At first sight such an effect would be beneficial to moorland vegetation. However, as shown by Defra funded work at Pwllpeiran and at Redesdale, simple reductions in grazing pressure do not guarantee long-term environmental or financial benefits. Figure 1 shows the long-term effect on a flock's financial performance from stocking at either 1.5 ewes /ha (Cambrian Mountains Environmentally Sensitive Area (CMESA) Tier 1A) or 1.0 ewes/ha (CMESA Tier 2A) at Pwllpeiran. These comparative stocking rates were applied to mat grass dominated vegetation with mosaics of heather, bilberry and fine grasses. Initially animal performance improved with increased ewe and lamb weaning weights, however after 6 years, areas of mat grass had increased and heather had become more rank under the lower stocking rates, reducing the area of hill that sheep were actually utilising. Similar results were obtained at Redesdale using *Molinia* dominated swards grazed at stocking rates of 1.5 or 0.66 ewes/ha.

Figure 1 Effect of CMESA agreements on Farm Gross Margin



Alternative strategies to overcome these effects with lower sheep numbers would include;

- Shepherding
- Temporary fencing
- Use of mob stocking
- Burning
- Use of strategic feeding
- Mixed grazing

Historically, shepherding to manage hill grazing would have been an accepted practice, but current labour costs would be prohibitive. Temporary fencing does have a role to play but in most cases is impractical or would not be acceptable for public access. Mob stocking can be both labour intensive and to be effective would require good fencing. If managed poorly this could lead to overgrazing and subsequent environmental damage. Burning is a valuable management tool in moorland management and is the subject of a Defra code of practice that is under review at the time of writing. It is not applicable to all moors.

The use of strategic feeding has also been evaluated under a Defra funded project at Pwllpeiran. In this investigation, a 40 ha paddock of heather dominant vegetation was used. Five points were identified and the actual location of sheep was plotted every 5 seconds using GPS equipment mounted on sheep. Concentration of sheep around the points could then be calculated for concentric circles of 10, 25 and 50m (Figure 2). After obtaining base data, sheep feed blocks were put at each point and changes in sheep concentration monitored. In addition, grazing indices were monitored in the concentric circles surrounding the fixed points (Figure 3).

Figure 2 Effect of feed blocks on concentration of sheep (Head/m²) at 10 to 50 m around target point

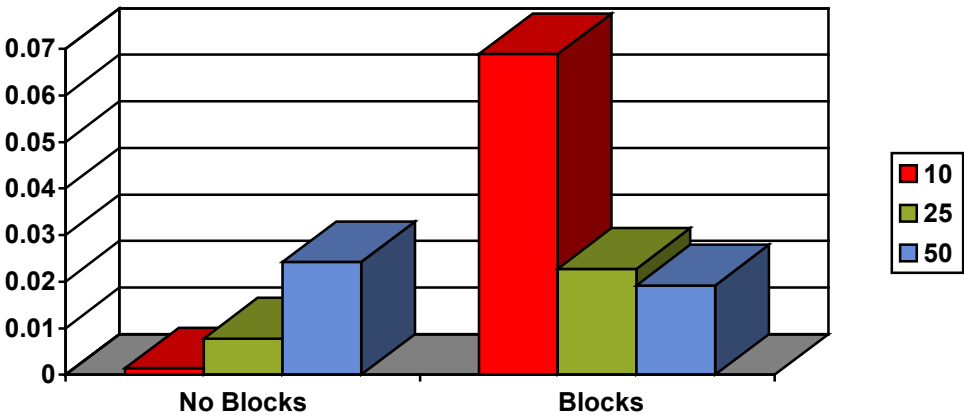
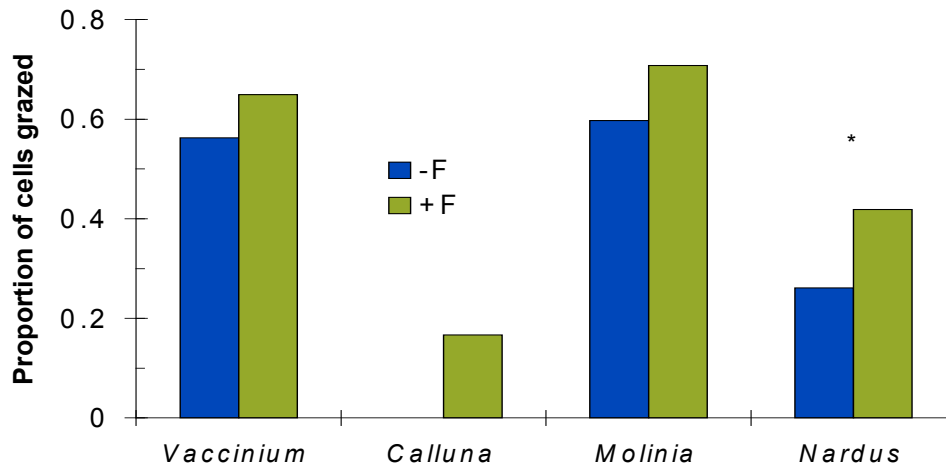


Figure 3 The proportion of key species grazed in 25m areas with (+F) and without feed blocks (-F)



The conclusions from this work were summarised as follows;

- The practicality of using feed supplements to manipulate sheep grazing in extensive systems was demonstrated
- Sheep are attracted to feed blocks and grazing of vegetation surrounding the feed blocks is increased
- Sheep density around a feed block is increased for a radius of some 25m
- The provision of feed blocks, can increase the utilisation of the immediately surrounding vegetation, even mature, rank heather
- To manage vegetation grazing on upland mosaics requires frequent movement of feeding sites
- The required frequency of such movements and the consequences are, at present, unknown

The provision of feed supplements in moorland areas under Agri-environment schemes is currently not permitted due to localised damage that can occur. This is apparent from the photograph in Plate 1. Such damage remains very localised but it has been recorded that weed seeds within the feed block can lead to introduction of new plant species, which could be undesirable

Plate 1 Site of feeding block in heather dominant vegetation



The use of mixed grazing regimes, particularly including large cattle which are less selective graziers removing dead and less palatable vegetation and can also create bare ground by scuffing the soil surface allowing seed germination. This is one of the scenarios evaluated under BD1228.

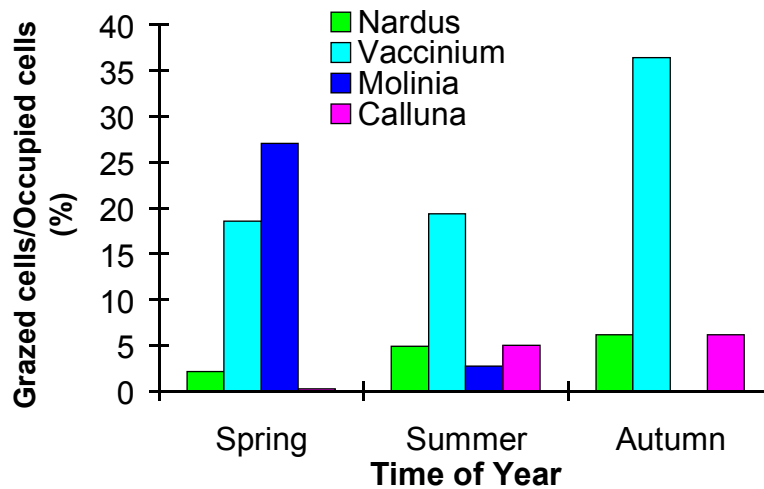
Changes to Hill Farming Supplements which remain outside of SFP removed differential payments relating to sheep breeds. SFP now allows farmers the flexibility of reducing sheep numbers but changing to heavier, more productive breeds. Sheep size has to date not been a consideration in environmental stocking rate prescriptions, and an increase in sheep size could in future have a significant effect on grazing pressure due to individual animal intake and energy requirements (Table 1).

Table 1 Effect of sheep bodyweight on dry matter intake and energy requirement

Body Weight (kg)	Dry Matter Intake (Kg/day)	Maintenance Requirement (Mj/day)
40	0.7	5.8
50	0.9	6.8
60	1.1	7.8
70	1.3	8.8
80	1.4	9.8

In addition, due to a likely change to more productive but potentially less hardy crossbreeds, annual stocking rates could potentially be concentrated into shorter grazing periods raising the question of seasonal effects of stocking rate. This would have significant effects on upland vegetation not least because of temporal changes in the grazing preferences (Figure 4) but this could provide a useful management tool for more closely defined, site specific grazing regimes. In addition consideration will need to be given on effects of removing sheep from upland areas for greater periods on inbye land and the farm structure. Increased housing requirements may be needed for example which may then lead to earlier lambing and a higher lambing performance through genetic improvement and improved nutrition further increasing grazing pressures on summer hill grazing.

Figure 4 Temporal Changes in Sheep Grazing Preferences



1.2 Cattle

Based on 2003/04 prices, subsidies accounted for an average of 35.5% of output per ewe (28% for flocks in the top third) whilst for hill suckler herds respective values were 40% and 39%. This coupled to relatively stable sheep prices and declining beef prices will result in any hill farmer reviewing his business to reduce cattle numbers at best and in many cases considering a total withdrawal. Suckler cow numbers in LFAs declined by 8% during 1992-2004 and are predicted to decline by a further 12-25% during 2007-2013, and beef finishing cattle are predicted to decline by 4-7% during the same period (Defra, 2006).

It is recognised that cattle have an important potential role to play in hill vegetation management and, as sheep numbers decline, the need to be able to source cattle for removing rank vegetation will increase.

There are two potential opportunities that may arise here;

- a) Use of flying herds of unproductive cattle specifically for vegetation management – this is an option currently being considered by Grazing animals project where an individual maintains a herd of cattle which are “leased” out for vegetation management
- b) Organic farms adjust stock to the hills for summer grazing - this would free up organic land for producing winter forage, provide benefits in terms of cost to cattle owner and receiving land owner probably for cost neutral basis and would ensure an increase in organically registered land.

1.3 Other livestock

It is important that grazing is not confined to cattle and sheep and under decoupling there will be no necessity to rely on these species. There are a number of livestock species that could have an impact of moorland vegetation and which could be used in future to keep the land in good agricultural and environmental condition. Horses for example could be used instead of cattle as a large grazer, however their method of grazing is significantly different with both upper and lower incisors and the lack of a prehensile tongue. They also tend to be more selective and their digestive process may result in better seed survival of some species. Thus effects on moorland vegetation could be quite different.

Wild animals that could also have an impact would include deer, feral goats, hares, rabbits and certain birds and invertebrates.

2. Impact on non livestock systems

2.1 Land abandonment

Under decoupling, in order to retain SFP, land has to be managed to meet GAEC. For moorland management, where vegetation changes would be slow, this could result in abandonment for a number of years. Proactive management would be needed to combat an unacceptable dominance of e.g. invasive grasses such as *Molinia* and *Nardus*, Bracken and Gorse. Proactive management may also be needed to retain heather, however such management could be carried out on an infrequent basis such as the use of burning.

2.2 Afforestation

Land eligible for SFP is unlikely to become afforested as this would result in removal of payment, with the possible exception of small areas of trees planted for habitat and shelter purposes. CAP reforms will however have a potential impact on the restoration of deforested land as such land will not attract any future payments.

2.3 Shooting

The potential of managing moorland for game such as grouse and deer without the need of an agricultural dependence from grazing animals could improve the profitability of shooting as a business venture allowing management to be geared to the sole needs of the target species. This will impact on the vegetation of the moorland

2.4 Renewable energy

The hills and uplands of England and Wales are unlikely to be used to grow biomass crops with the exception of timber, due to relatively poor growth rates. However, the EU Renewable Energy Directive (2001/77/EC) sets the

UK an indicative target of increasing the percentage of electricity production derived from renewables from the 1997 level of 1.7% to 10% by 2010. The UK Government's Energy White Paper proposes this should increase to 20% by 2020. As landowners look for new income streams, renewable energy is a potential option, which with decoupling will have a small effect on agricultural income. Two natural energy sources could however be of increasing potential, wind and water. There is already a rapid increase in the use of wind turbines as a source of renewable energy and although impacts on agricultural use is relatively small, impacts on hydrology due to the excavations and road infrastructure, and impacts on birds and other vertebrates due to increased traffic to otherwise remote areas can all have significant effects on flora and fauna. Effects on afforested land are more severe due to impacts on wind movement and result in large scale deforestation.

3. Other effects of CAP reform

3.1 A new "Farm Advisory System"

Under the EU's proposals, member states need to establish a farm advisory system. The farm advisory system will be voluntary for Member States until 2006. From 2007 Member States have to offer advisory systems to their farmers to help them meet their cross compliance obligations including a certain number of statutory environmental, food safety, animal and plant health as well as animal welfare standards. Their participation will be voluntary. Following a review of the system by the Commission, the Council may in 2010 decide that the advisory system should become compulsory for farmers. This will give an opportunity to engage with landowners on Moorland Management providing a strong mechanism for Knowledge Transfer.

3.2 Strengthening rural development

The scope of EU rural development support will be widened by new measures available from 2005. It will be for Member States and regions to decide if they wish to take these up within their rural development programmes (RDPs).

The measures cover food safety and quality, help for farmers to adapt to the introduction of demanding standards based on EU legislation, and promoting high standards of animal welfare.

More importantly in the moorland context, these measures also encompass land management and biodiversity. The EU elements of agri-environment schemes fall under Axis 2 of the RDPs. Although voluntary, membership of an agri-environment scheme will provide landowners with payments in return for defined management prescriptions. This is an important mechanism for safeguarding specific habitat at a local level, and at a higher level could also help safeguard habitat at a catchment level. Monies are also fed into the scheme through modulation of the SFP and the level that this occurs will increase annually. In order for land managers to adopt meaningful management prescriptions, there will be a continuing need for the proposals to be cost effective and this will need careful consideration. For example, a prescription involving cattle could be uneconomic in future. Hence project officers will need to be fully aware of individual farm circumstances in developing effective schemes for individual farms.

REFERENCE

Defra (2006) Agricultural Change and Environmental Observatory Programme Annual Review. www.defra.gov.uk/farm/policy/observatory/annualreview.htm