



Taking action for a living planet

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## WWF CONSULTATION RESPONSE

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### CAP REFORM: CONSULTATION ON THE MID-TERM REVIEW OF AGENDA 2000

WWF welcomes these proposals as a small step in the process of moving from the outmoded CAP that sees farm income as its only priority to one which acknowledges and rewards farming that delivers multiple benefits many of which are not adequately supported by the market.

WWF see this package of proposed reforms, on balance, as an opportunity to be grasped by the UK on behalf of consumers, tax-payers, rural communities and society as a whole in Europe and globally rather than as a threat to any one sector of the farming industry at home. It must be seen as that by all concerned and a rational decision made for the greater good.

#### Introduction

As the communication from the Commission points out there are a number of objectives for reforms that have been agreed in Berlin in 1999 and reiterated since. These are that the CAP should ensure:

- a competitive agricultural sector;
- production methods that support environmentally friendly, quality products that the public wants;
- a fair standard of living and income stability for the agricultural community;
- diversity in forms of agriculture, maintaining visual amenities and supporting rural communities;
- simplicity in agricultural policy and the sharing of responsibilities among Commission and member-states;
- justification of support through the provision of services that the public expects farmers to provide.

WWF believe that on the whole these proposals do move the CAP closer to achieving these objectives. But they only start the process within Europe and they leave a great deal to be done globally. Much more could and should be done to make the CAP a force for sustainability. All European agricultural policy needs to be reformed not just those parts tackled here. They need to be reformed under a uniform set of principles that seeks to ensure that we support farming that does not damage the environment or society here and overseas – but also that public policy and more importantly public money is used to yield public benefits not only private income.

WWF feels that it is the desire to ensure a ‘stable and fair’ income for Europe’s farmers that lies at the heart of why these proposals do not go further towards achieving the other objectives. Many elements of the proposals are simply aimed at making sure that current winners in the CAP game do not lose out. Obvious examples include the retention of income payments to farmers based on historic receipts, the reduction rather than removal of intervention prices for many commodities, the refusal to reform other regimes such as sugar and the low level of modulation suggested. WWF fails to understand why it is assumed that the current pattern of spend is ‘fair’ to Europe’s farmers or to those in the developing world, let alone one that delivers the other objectives set for the CAP.

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There is no inherent 'fairness' in the fact that 75% of the CAP is received by 25% of Europe's farmers or that protection for European produce distorts and undermines production in Less Developed Countries. In fact this indicates the iniquity of the current system. If we were to use the CAP to meet genuine needs and reward the delivery of non-market benefits then there would be a radically different pattern of spend, one which is likely to be both fairer and more justifiable on the world stage as well as to Europe's taxpayers.

Given that this is a major opportunity to redirect the single biggest item of European spend towards buying 'what the public wants' we are disappointed that greater and clearer links to other European priorities has not been made. This is no more apparent than in relation to the environment in Europe. Much European environmental legislation directly reflects public concern over particular threats to nature. These proposals do not mention any environmental policies even those relating directly to agriculture. In particular we are disappointed that the role of agricultural policy and funding in supporting the aims of Natura 2000, various pollution control Directives and the Water Framework Directive are not made explicit. None of these can be delivered adequately without the alignment of farming policy – this mid term reform package should take the opportunity do achieve that.

On the world stage it is clear that European agricultural policy is directly undermining European development policy. For instance a protectionist market for European sugar beet producers and sugar cane importers has 'persuaded' Europe to set laughably low quotas for sugar imports under the 'Everything But Arms' initiative. This mid-term package should have been taken as the opportunity to reform **all** CAP regimes as a matter of urgency and from a global as well as European perspective.

WWF is also disappointed that the opportunity has not been taken to remove finally the assumption that compensation for income foregone must underpin any funding of environmental activities by farmers. It is this philosophy which lies at the heart of the fruitless antagonism between farming and the environment that has prevailed for so long in Europe. Only when environmental benefits delivered by farming are recognised as 'goods' that farmers are paid for will we see a more rational approach to planning and delivering the 'farmed' environment.

Finally WWF would like to have seen a greater emphasis within these proposals given to the wider responsibility Europe has to the rest of the world. This is not only in terms of the distortion of world markets caused by the CAP but also in terms of the environmental impacts of policies directly and indirectly on the world as a whole. Issues such as the climate change impacts of European agriculture and the import of agricultural inputs sit alongside the dumping of commodities as ways in which European agriculture and consumption affects the world and are not dealt with sufficiently in these proposals.

**Summary of WWF position on these proposals:**

The lack of detail and at times lack of clarity within the proposals as communicated by the Commission makes it difficult to assess their likely impact on the environment in Europe or globally. However we cannot afford to wait for firmer proposals because by then it will be too late to influence decisions either within the UK or Europe. We can therefore say the following in principle about what is being proposed:

**WWF supports:**

- The decoupling of payments from production to remove direct drivers of environmental damage;
- The setting of rigorous standards and conditions on receipt of **all** public money by **all** farmers – not just those in receipt of payments over the minimum 'franchise';
- The broadening and strengthening of current minimal standards to cover welfare, safety and food quality as well as the environment;
- The start made in shifting money from the first to second pillar;

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- The franchise as a recognition of the social benefits of small-scale farming and as a measure to simplify modulation in practice;
- The ceiling on total receipts as an explicit measure to start to tackle the unfairness of the current CAP;
- The principle of the redistribution of CAP money at a European level to direct it to priority issues and areas;
- The start made in broadening the remit of the second pillar of the CAP by including animal welfare, meeting standards, food quality and safety;
- The start made in introducing a greater emphasis on agri-environment and animal welfare by altering co-financing rules;
- The introduction of farm audits – which must apply to **all** farms irrespective of size or amount of money received and must be interpreted as tools for whole farm management rather than simply lists of on-farm resources or even just assessments of whether conditions are being kept ;

**WWF contests:**

- The re-coupling of payments to producers once they have been decoupled from production particularly through basing income payments on historic receipts. This can only serve to introduce a new set of distortions and harmful impacts to replace the existing ones. It will also only slow the pace at which the CAP can be transformed into a policy that meets its wider objectives;
- The use of economic criteria alone to decide how modulated money is re-distributed around Europe;

**WWF would like to see:**

- The re-coupling of payments to the provision of public environmental and social goods. This should be achieved in the first place through the removal of **all** direct payments and shifting of 100% of the CAP budget to a reformed second pillar at a faster rate than envisaged here;
- Failing that we would like to see a much higher and faster rate of shifting than proposed here;
- Standards for the receipt of public assistance developed uniformly across Europe in relation to priority European issues but flexibly and openly developed by Member States in partnership with **all** relevant parties – not just the farming industry;
- Environmental criteria such as the burden of implementing EU environmental legislation used to determine a new pattern of CAP spend in Europe;
- A greater, deeper and more meaningful reform of the Rural Development Regulation to make it more flexible for Member States to implement and fund but also more directed at delivering against genuine rural need and genuine public benefits;
- A fundamental reform of **all** market regimes and sectors of the CAP along a common set of principles that include the need to ensure that public policy and money does not support any form of environmental damage but rather ensures the delivery of public benefits both within Europe and globally. This should include:
  - The abolition of export subsidies as an instrument European agricultural policy;
  - Increased market access for fairly and sustainably produced goods;
  - The abolition of milk quotas to be replaced by targeted support for dairy farming with positive environmental and social benefits only;
  - The urgent and fundamental reform of the sugar, olive oil, fruit and vegetables and wine regimes now not later;
- The replacement of the current set-aside scheme with one that has greater flexibility to deliver local and regional environmental benefits;

WWF see this package of proposed reforms, on balance, as an opportunity to be grasped by the UK on behalf of consumers, tax-payers, rural communities and society as a whole in Europe and globally rather than a threat to any one sector of the farming industry at home. It must be seen as that by all concerned and a rational decision made for the greater good.

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**Decoupling**

WWF, in principle, supports the proposals for decoupling direct payments to farmers under the CAP from levels of production. We would like to have seen the principle applied to all regimes not just a selected few.

The link between level of production and subsidies has been one of the major drivers of over-production in Europe that has resulted in well-documented environmental impacts. These have included biodiversity and habitat loss, agricultural pollution and increasingly recognised contributions to climate change.<sup>1</sup> The removal of this linkage will prevent public money being a direct cause of environmental degradation.

Decoupling should allow farmers to respond to market signals rather than subsidies in making decisions about what to produce. However given that currently subsidy income in UK farming is anywhere up to 400% of net income the question must be asked whether retaining similar levels of direct payments as producer payments really can be seen as exposing farmers to market forces? There is a case for removing all direct payments and retaining income through an improved second pillar that is directly related to the level of public benefit delivered by a farmer.

WWF is particularly concerned about the proposals to base single farmer income payments on historic levels of farm subsidy income. These are distorted in favour of larger holdings and arable farms. The aims of these reforms are in part to ensure a 'fair and stable' income for farmers. We would question the assumption that 'fairness' means a level based on past income? Such distortions do not reflect the actual or potential role of different farming systems and different areas in delivering environmental and social benefits. Our concern is that these income payments become a permanent 'entitlement' and set the seeds for a new set of environmental and social distortions subsidised by the taxpayer.

WWF would like to see payments 'recoupled' to the delivery of public benefits. This would act to create a 'market' for non-market goods and services – such as the environment. That, rather than sector income, should be the aim of public policy and public money. In essence why are we retaining any form of direct payment – whether production or producer linked when we should be exploring how to use public money to achieve multiple objectives – farmer income as well as social and environmental goods and services?

WWF is also concerned about the possible impacts of decoupling on farm structures and practices. It could lead to further intensification and specialisation of farming systems in more productive areas. This in turn could lead to more environmental degradation on this land.

At the same time decoupling might result in the abandonment of marginal land as production is driven to cut costs by market forces. The social and environmental benefits offered by marginal farming (landscape and access to hills, employment in remote areas, the conservation of areas of high habitat and biodiversity value etc.) would be lost if these areas were abandoned.

On its own decoupling is neither environmentally positive nor negative. Its outcomes will of course be determined by what happens in practice. Recent research by the Land Use Policy Group of the UK countryside agencies has been unable to predict likely impacts of policy on farm restructuring let alone the secondary impact of such changes on the farmed environment.

There are two strategies outlined in these proposals which go **some way** towards mitigating any undesirable impacts of decoupling and also move the CAP further towards being a policy able to deliver

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<sup>1</sup> Custodians of Change. Report of the Agriculture and Environment Working Group. Scottish Executive 2002.

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greater public benefits. These are broadly the use of **standards** applied to payments and the extent and nature of support to **rural development** available to farmers. The question to be posed is whether what is proposed is sufficient?

**Standards and Conditionality**

WWF believe that setting rigorous standards on the receipt of **all** public money is one part of the answer to reducing the environmental impacts of farming. We particularly welcome the addition of animal welfare, food safety and quality standards to sit alongside environmental standards. We welcome the strengthening of all these standards and the clear intention that they will become conditions for the receipt of **any** public money. It would not be acceptable for farmers exempt for instance from modulation or farm audits to also be exempt from meeting standards.

Environmental standards and conditions have been possible under the Horizontal Regulation since 1999. They have not been widely used. The current proposals seem to be removing the voluntary nature of such measures but WWF would be concerned that on past experience any standards agreed at either a European or Member State level would not be meaningful.

WWF would like to see environmental conditions developed across Europe within a framework of strong principles relating to European concerns. Common pan-European basic standards must include meeting the spirit of the full range of EU environmental legislation, policies and strategies. As priorities this will be the Water Framework Directive, the Birds and Habitats Directives, Nitrates Directive, various Waste Directives, the EIA Directive and the IPPC Directive. In such a way common standards for water, soil and air pollution, habitat, landscape and biodiversity impacts, emissions and energy use could be set at a European level.

Subsidiarity would also need to be in place to allow relevant standards to be set at Member State levels and below. Principles of transparency, openness and inclusivity in setting standards and mechanisms for ensuring they are policed and kept are also needed. For farming to be able to win back public confidence we cannot afford to allow the industry alone to be involved in setting standards.

**Shifting Money**

WWF welcomes the intentions within these proposals to shift money from direct payments and towards rural development measures. This, along with standards on payments, is the second strategy to ensure that public money does deliver public goods where the market fails to do so.

The current Rural Development Regulation is widely criticised as an inefficient way of delivering public benefits and as a measure not open to all farmers equally. WWF believe that this is true for a great part of the UK where the existing measure has been badly planned and grossly under funded. We believe that a more innovatively used and better supported 'second pillar' of the CAP is an essential element in ensuring that public money spent on farming not only avoids damaging the environment but also buys positive benefits.

WWF welcomes intentions to shift up to 20% of the current direct payment budget to rural development through '**dynamic modulation**'. We think that this is only a first step and would support a much higher level. 20% modulation would finally see about a third of the CAP budget in the second pillar. WWF would like to see at least 75% and preferably 100% of that budget being spent on sustainable rural development. WWF would also like to see a faster shift in money in order to start now to underwrite the delivery of social and environmental benefits by rural communities.

Failing the establishment of much higher rates of modulation WWF supports the idea in principle of a **franchise** that would exempt small farmers from modulation. We recognise the social benefits delivered

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by small farmers in terms of employment in rural areas as well as the benefits of simplifying modulation when small amounts of money are involved. We are however concerned that the exemption from modulation for small farmers is not taken to mean an exemption from standards and conditions attached to income payments as well.

Again failing the use of much higher rates of modulation WWF supports the principle of a **ceiling** on total payments. Under a new CAP that is moving towards recognising and rewarding the multifunctionality of farming it is sensible that the inequalities of income based on the capacity to produce food alone is reduced. The need for ceilings on payments only arises, however, because of the intention to base the new decoupled income payments on historic receipts. As we have argued above re-coupling payments to benefits delivered by shifting more of the budget to rural development would avoid such distortions and the need to impose ceilings to mitigate them.

WWF is sympathetic to the concerns that the dynamic modulation proposed will see the European Commission redistributing money between Member States rather than ring-fencing it within current spending patterns. However we recognise that there is a strong environmental and social case for such redistribution. The historic pattern of spending on production support alone has resulted in a CAP budget that matches neither environmental or social need nor capacity to deliver public benefits

We are concerned however that the proposed criteria for deciding on what are European priorities are only economic – farm prosperity, farmed area and labour. Justification for such redistribution is given on the grounds of ‘positive environmental and cohesion effects’. It is essential therefore that environmental and social criteria are developed to determine spend. The presence and designation of sites of European conservation importance as well as the costs of managing them could and should be a determinant of agricultural spend since many of these sites are ‘managed’ as farmland. If money was distributed according to conservation needs and this was backed-up by ensuring that the money was then spent in ways that helped achieve the aims of those sites then we would have a CAP that *was* integrated with Europe’s environmental aims. Similar links between the CAP and other European environmental priorities should also be used to determine how money was distributed.

The opportunity under such a system would be for the UK and UK nations to be far more proactive in arguing for support under the second pillar rather than to see the threat of redistribution alone. By seeing the CAP as an instrument to support multifunctional agriculture and wider rural development rather than simply as a farm income support mechanism we could make a strong argument for a larger slice of the future CAP budget. As we have argued above access to ‘second pillar’ payments need not be restricted as they are now because of poor design and under-funding. In fact it is more likely that all farmers could more evenly access a flexible RDR if it did deliver a wide range of environmental and rural development measures. This alone would make the distribution of the CAP ‘fairer’ across Europe.

Similarly negative arguments about the redistributive effects of modulation within the UK are also misplaced. We fail to see why the ‘status quo’ should be determined to be fair simply because it is what currently exists. At the same time modulation must not be mis-represented as a ‘tax’ on farming. In the first instance the money does not belong to farmers – it is taxpayers’ funds and should be used for public benefit. In the second moving money to the second pillar is likely to lead to a fairer distribution between farmers and between regions. The level of total CAP support varies hugely across the UK. Measured on a per hectare basis it is highest in Northern Ireland (£425 per ha), followed by England (£395 per ha) and Wales (£320 per ha) and lowest in Scotland (£140 per ha).<sup>2</sup> The level of support to individual farm businesses varies to an even greater degree. In Scotland alone there are 32 farmers who receive on average £250 000 a year in subsidies whereas more than a third receive less than £2500. If our CAP

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<sup>2</sup> Ministry of Agriculture, Fisheries and Food (1999) *Reducing Farm Subsidies – Economic Adjustment in Rural Areas*, London: MAFF.

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spend reflected environmental and social needs as well as the potential to deliver such benefits rather than the ability to produce food alone then those areas and individuals currently 'underfunded' could in fact turn out to be major beneficiaries.

WWF is very concerned that the acceptability or not of the whole CAP mid-term reform package is being argued on the basis of farm income impacts alone. Without public access to the information about how money is currently being distributed under the CAP we fail to see how we can judge whether these changes are 'fairer' or not.

**New Rural Development Provisions**

Alongside this new commitment to increasing the funding for rural development WWF welcomes the broadening of the range of the Rural Development Regulation to include animal welfare, food quality and safety and meeting standards as accompanying measures. However given the conservative approach in many of the UK nations to the second pillar we are concerned that a minimalist approach in the future would only serve to see these addition as a watering down of the Regulation rather than a strengthening of it.

We welcome the commitment to both the new animal welfare chapter and the existing agri-environment measures shown by the change in co-financing rules that will see a greater level of funding coming from Europe for programmes using these measures. Whilst this is better than the current situation it is still of course 'worse' in budget terms for the Member States than current Pillar 1 payments that are 100% EU funded.

We welcome the provision of new measures for regional and quality food as a sign that Europe is responding to consumer concerns and would hope to see the environmental impact of food acknowledged as one element of 'quality'.

We welcome in principle the inclusion of help in **meeting standards** within the RDR. We are concerned however that there is some confusion over whether the support applies to minimum legal requirements, good farming practice or to going beyond these? If income payments are to be conditional on meeting standards it is difficult to see why we should then pay farmers extra money to meet them.

WWF is particularly interested in the idea of supporting **farm audits** within the RDR. We are keen to see a whole farm approach to management being developed across Europe and would like to see it available for all farms not just those receiving more than a minimum in income payment. We would also like to see the intention that these audits are not just lists of what resources are on the farm or even assessment of progress towards meeting standards alone. They should form the basis of a proactive plan with time-bound targets that shows how the farm will yield the range of environmental, social and economic benefits it is being supported to deliver beyond the minimum requirement as well as minimise or mitigate the environmental damage it is causing. They should also place individual farms within the wider context by for instance identifying their role in the management of conservation sites, river catchments and regional development objectives.

Whilst we welcome these small changes to the current RDR we believe that there is a need for a more radical shake up of the measure. WWF has been conducting extensive research into the RDR and the pre-accession equivalents across Europe. We have concluded that we would like to see:

- A massively increased budget for rural development within the CAP - at least 75% of CAP should be within the second pillar if not 100%;
- Rural Development Plans written in accordance with the needs of wider rural communities in given areas not just the farming sector. Territorial approaches with stakeholder participation in programme

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design are key principles of the RDR as it is designed but it seems that many Member States and not least some UK nations are not embracing them;

- That measures and funds within the RDR are only used to ‘buy’ legitimate and explicit public goods beyond those that farming is expected to deliver through normal practice – not as in the case of LFASS as an alternative income support. Key to this is the removal of the assumption that payments are for ‘income foregone’ rather than the value of the benefit delivered;
- A strengthening of the role of the RDR in funding and supporting key environmental objectives such as Natura 2000 and the Water Framework Directive;
- Greater flexibility in how money can be used in particular the opportunity to use money ‘beyond the farm gate’. Only in this way can we hope to integrate farming into rural economies rather than further marginalising it;
- Greater rigour in planning and mitigating likely environmental impacts of programmes funded through the RDR.

**Milk Quotas**

WWF supports the abolition of milk quotas and intervention prices for dairy products. The existing system has led to intensification within dairy farming and the over exploitation of natural resources and environmental pollution. In its favour the regime has played a part in maintaining livestock farming in some high nature value areas but that could have been achieved by far more flexible and targeted means of support.

In its place we would advocate a system of targeted support to dairy farming systems that is based on environmental needs and opportunities tailored to specific areas. Such a system could also take account of social and economic strengths and opportunities.

We are concerned that changes to the current system are not made solely on the basis of promoting ‘efficiency’ of production as other factors including animal welfare, rural development, public health, environment and conservation and food miles are important. We are also concerned at the level of support for high fat dairy products (for instance butter in processed products) as these have an adverse health impact and policies should work to reduce, not promote consumption.

**Market Regimes**

WWF welcomes the proposed cuts in intervention price for a variety of commodities as a step towards reform but would like to see them removed completely and uniformly for all commodities currently supported. Given the aim of the proposals to expose farming in Europe to market signals we believe that it is only fair to do so completely. We are sceptical that a centrally planned system of setting prices does have the ability to control incomes and cope with changing world prices. The evidence for the CAP being able to ensure adequate and stable incomes for farmers in the past is scanty to say the least. At the same time we are concerned that intervention prices at any level still have a distorting effect on world prices with undesirable impacts on access to European markets and therefore production in developing countries. As a major contributor to world poverty we believe that such policies have downstream environmental impacts caused by people seeking to maintain livelihoods in unsustainable manners in some of the most sensitive natural habitats in the world. Sugar is a prime example of a highly distorting system of support for European producers of beet and importers of cane. Despite strong evidence of a catalogue of harm caused globally<sup>3</sup> these reforms make no proposals for reform.

We are opposed to the introduction of an intervention price for durum wheat and the introduction of direct aid in compensation for cuts in rice intervention prices for the same reasons.

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<sup>3</sup> The Great EU Sugar Scam. How Europe’s sugar regime is devastating livelihoods in the developing world. Oxfam Briefing Paper 27 August 2002.



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Given the tone of much else in the Commission's communication it is strange to read the proposals for the introduction of income support for dried fodder production. The proposals themselves point out that its production 'raises concern and criticism' about its environmental impacts. Why then should we compensate farmers for not producing something that is environmental damaging just because we once paid them to produce it during some 'historical reference period'? It is proposals such as these that are in danger of replacing one unjustifiable system with another.

WWF would like to see **all** commodities, quotas and regimes being reformed at this time through a common set of principles which would seek to remove all market distorting mechanisms and would result in public money only being used to buy public goods not otherwise catered for by markets. The CAP has proven remarkably inefficient as a tool to ensure fair, adequate and stable incomes – it is time that that was recognised. Public policy must be about public goods and services. Such reforms would have to be undertaken within the context of understanding and taking responsibility for its impacts both within Europe and globally.

In this light WWF supports the abolition of export subsidies as an instrument European agricultural policy and would like to see increased market access for fairly and sustainably produced goods from around the world.

Within Europe WWF would like to see urgent and fundamental reform of olive oil, sugar, fruit and vegetables and wine now not later.

As an example a recent report by WWF and BirdLife concluded that olive farming has great potential as a sustainable land-use in the Mediterranean region, producing a highly-valued foodstuff and important environmental benefits, while helping to maintain populations in marginal areas. The problem is that a combination of forces has driven the sector down the road to intensification and uncontrolled expansion, causing degradation of soil and water resources and loss of habitat and biodiversity.

Social and technological developments are partly responsible, but the major driving force has been the CAP olive regime. Almost the entire budget of around Euro 2,250 million is spent on production subsidies that encourage farmers to use intensive methods and to expand production.

The present situation is unsustainable in environmental, socio-economic and administrative terms, and a fundamental reform of the CAP olive regime is well overdue.<sup>4</sup>

A similar story can be said about the sugar regime within Europe. A study of the impacts of sugar beet on the environment in the UK shows higher levels of pesticide use on the crop than for cereals, substantial soil losses and compaction and the need for monitoring of water use in the sector<sup>5</sup>. All for a 'market' in sugar grown in Europe often at two or three times the cost of global production and managed by a monopoly. Alongside the global impacts of the regime discussed above this makes a strong case for the need for urgent reform.

**Set-aside**

WWF welcomes the recognition that these proposals give to the problem caused by the over-production of cereal crops across Europe and the resulting environmental problems. Yet again Scotland has recently announced an over-shoot in arable production at an estimated cost of £119 million to the taxpayer<sup>6</sup>.

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<sup>4</sup> EU policies for olive farming - unsustainable on all counts. WWF 2002.

<sup>5</sup> Sugar Beet and the Environment in the UK. Report by the UK in accordance with Article 47(3) of Council Regulation 1260/2001 on the environmental situation of agricultural production in the sugar sector. DEFRA June 2002.

<sup>6</sup> Arable Areas Payment Scheme. Scottish Executive News Release: SEen109/2002

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Proof if more was needed that a centrally planned agricultural economy is not possible or desirable. We also appreciate the desire to simplify the administration of set-aside schemes. However it is difficult to see how we can have a scheme which is both simple and able to deliver the benefits required.

Given the desire to decouple payments and allow farmers to produce in response to market signals we wonder what economic justification there is to retain set-aside. If it is as stated for environmental reasons then there is a requirement for a far more sophisticated and flexible system of *indicative strategies* for agriculture which can identify where there are areas to be moved out of cereal production for environmental reasons. These could identify different areas and time periods for set-aside or indeed other methods of ensuring that land is not used based possibly on cropped area as one component of standards that must be kept to ensure receipt of income payments.

**Energy Crops**

WWF welcomes the early thinking on how best to encourage the production of energy crops on farmland. We are concerned however that there is not enough flexibility in a single level of aid to respond to different needs and opportunities across Europe. At the same time basing area allocations on historic production again locks Member States into current patterns rather than allowing them to move forward. As with other aspects of these proposals we would like to see the principle of subsidiarity followed to allow Member States and regions to determine what are the best options within a framework of principles established by Europe. In particular we are concerned that the conservative approach of the UK governments to energy crops within the CAP would disadvantage us if limits were set based on past uptake.