



Ulster Wildlife Trust



**RURAL EUROPEAN PLATFORM**  
*connecting grassroots and policy*

- ➔ stable farmer income
- ➔ regional development
- ➔ biodiversity, natural beauty
- ➔ open space

## **Farmers and Nature in Areas with Natural and Other Handicaps**

*A new deal between farmers and society in Europe*

This is a position paper on farming and the provision of ecosystem services in the so called Less Favoured Areas (including other areas where land management practices are restricted due to their importance for nature, landscape and historic environment conservation, etc.) based on the Belfast meeting on “Co-operation between farming and nature conservation in Europe” organized by the Ulster Wildlife Trust, the National Trust, and the Rural European Platform held in Belfast on the 23rd to the 24th of April, 2009.

## Statement

In Europe farming is constrained by natural handicaps on nearly 60% of the farmable land which is designated as Less Favoured Areas (LFAs). These extensively farmed LFAs are mainly grazed by suckler cattle and breeding sheep. They are handicapped from a food production point of view, but they are also especially important with respect to providing scenic open landscapes, important water catchments, and high levels of biodiversity. They could become areas suitable for developing innovative food supply chains servicing local markets with a positive environmental footprint, whilst remaining in compliance with present and future WTO and EU regulations with regard to the liberalisation of agricultural product markets.

The Government and farming organizations in Northern Ireland, where 70 percent of the farmland is in the LFA delimited area, are actively assessing the present situation and future options for farming. These options are undoubtedly connected with providing public goods and services, but they can also be re-linked with sustainable farming systems compatible with existing and forthcoming regulations.

Whatever the precise options are, they will be subject to the reshaping of the Common Agricultural Policy, emerging rural development policies, and negotiations at the global level in the WTO. Nevertheless, it is time to start discussing possible options to comprehensively link agricultural and environmental policy. It is with respect to this issue that the Ulster Wildlife Trust and the National Trust organised a workshop with farmers' organizations, policymakers and nature conservationists, assisted by the Rural European Platform to provide an international edge to the discussions.

From the discussions and field visits it appears that there is a common issue in Europe with respect to farming and safeguarding the environment including landscapes, watersheds and biodiversity and the risk of land abandonment. The costs of extensive farming in North Ireland are no longer in balance with the income that can reasonably be generated and it is here that the evidence from the farmers' organisations, industry and published reports is clear. In Poland the agri-environment payments provided are probably high enough, but the budgets available to manage extensive grassland and meadows are not large enough to counteract the present rate of land abandonment and loss of ecosystem services. In densely populated regions in the Netherlands the situation is that there is already a high demand for extensively farmed land to satisfy the high demand for ecosystem services and here, but also in Norway, new local supply chains for meat and other related products are developing. In England, some intensively farmed and afforested land has been changed deliberately into lower production farmland and woodland reflecting the high level of ecosystem services that extensively farmed land and woodland can provide.

There is an increasing demand in Europe for support for LFAs, and similar land management designations, and the ecosystem services and innovative food chains they can supply. Multifunctional extensive farming can provide these services as well as produce food with a low environmental footprint. It is important to note that the provision of these goods and services supported by public funding is not necessarily violating the rules of global free trade (GATT/WTO). However, it needs to be made crystal clear that these lines of funding need to be cost-based payments for public services and they are not intended as a price support for the production of agricultural commodities. In order to fully engage in the global negotiations in the WTO Doha round, it is important to aim for an environmental level playing field that defines global cross-compliance levels which are compatible with existing EU cross compliance levels for agricultural commodities within the framework of these trade negotiations.

It is not yet possible to come up with firm conclusions at a time when the policymakers themselves have not yet come to conclusions, but the suggestion that inescapably flows from the Belfast workshop is that governments and non-governmental organisations in Europe should recognise that, without farmers, it will not be possible to avoid land abandonment and maintain the provision of the wide range of ecosystem services for which there is a high and rising demand in society. Existing coalitions between farmers and nature conservation organisations need to be strengthened and new coalitions must be established in order to establish the necessary common basis for genuinely sustainable rural development in the EU and in the rest of the world.

Actions which may be required at various policy-making levels include the recognition of the importance of global cross compliance levels and, at the EU level, the recognition that in LFAs there is a need to recognise that payments for natural handicaps and the provision of ecosystem services should be based on the costs to provide these services and not theoretical income foregone assessments. At the grass roots level, significant further positive actions are possible within the policy frameworks already in place, and example case studies already exist in Northern Ireland, The Netherlands and Poland have been identified.

## **Scope**

At least half of the land resources in Europe are managed by farmers and these open landscapes provide the scenic landscapes that so characteristically define the popular images of Europe. Most of the farm land is also in areas where modern farming practices face natural handicaps. It is in these handicapped areas where net farm income is decreasing rapidly.

The lack of farm income is also a threat to scenic open landscapes, the conservation and enhancement of water resources, and the maintenance and expansion of biodiversity in Europe. However, threats can become opportunities. On the one hand, farmers may make a choice for a future income and carry on with the production of agricultural commodities for the world market in a different place without natural handicaps. On the other hand, they may choose to make a future income in their original area and redirect their farming practices towards multifunctional farming. This second group of farmers need to obtain a realistic income for their provision of ecosystem services, such as the provision of clean water and biodiversity, but also for making a contribution towards avoiding the abandonment of land and the halting the loss of human capital from isolated communities in handicapped areas. This paper identifies constraints with respect to the supply of ecosystem services in Less Favoured Areas and the need to agree on global environmental and social cross compliance levels within the World Trade Organization negotiations. Policy level actions are crucial and can be promoted by examples of best practice local actions. Follow up activities at the local level are currently in progress in Northern Ireland, The Netherlands and Poland.

The Belfast meeting was organised by the Ulster Wildlife Trust and the National Trust to explore the options. The meeting was attended by representatives of the Ulster Farmers' Union, the National Beef Association and the Department for Agriculture and Rural Development (DARD), with international participation from The Netherlands, Norway, Poland, Portugal and England and supported by the Rural European Platform. This paper reflects the view of the Rural European Platform and not necessarily the views of the participants.

## **A future for multifunctional farming**

Sixty percent of the farm land in the EU is in areas where farming faces natural handicaps, the so called Less Favoured Areas (LFAs). In these areas, most farming systems have not yet become very intensive and semi-natural grasslands and heathlands are often still part of the farming system. This situation is very different from densely populated and intensively farmed parts of Europe, where heathlands,

moors and other semi-natural grassland are only found within the boundaries of nature protection areas.

#### **Farming and wildlife conservation in Northern Ireland**

Heather Thompson, Chief executive with the Ulster Wildlife Trust: "We need to look to the farming community to help to deliver a living landscape that is rich in biodiversity and valued by all, and put in place the necessary policy to achieve this".

Co-operation between farming and nature conservation in LFAs is also the way forward from a landscape perspective. In Northern Ireland a total of 700,000 hectares (70%) of the farm land is designated as LFA while only a fraction of that (60,000 hectares) is designated as a formally protected nature area. Even this protected semi-natural grassland and heathland is at risk of encroachment by scrub if it is no longer farmed in an extensive way.

#### **Payments for ecosystem-services**

Agri-environmental scheme payments, including LFA payments, in the EU can support the provision of ecosystem-services but payments are still based on the outmoded 'income foregone' basis. The reference, therefore, is taken from producing standard volumes of agricultural commodities, constrained by unfavourable (natural) conditions in which to do so. The question should be raised as to whether such assessments of compensatory payments are, in fact, a realistic proposition for a future expected to be without the current levels of Single Farm Payments, where it may no longer be possible to compensate the actual losses made by farmers in handicapped areas.

The information collected by the Red Meat Industry Task Force in Northern Ireland in their Strategy Review of October 2007 provides a case in point ([www.niredmeattaskforce.co.uk](http://www.niredmeattaskforce.co.uk)). Strictly speaking, there is still a positive farm income to be made, but the reality from a fully economic business point of view is that losses continue to be reported in annual accounts. In order to make farming more economically sustainable, the advice to farmers is that diversification of farming enterprises and into non-agricultural activities may offer a solution. Following this line of reasoning it would, however, make sense to pay farmers for what they do provide to society, including such assets as maintaining an attractive countryside and the like. Payments should no longer be based on income foregone, but reflect the real costs to deliver these ecosystem services and allow individual farmers to make a profit as entrepreneurs. This was proposed in a recent meeting of the National Beef Association.

**National Beef Association meeting 26<sup>th</sup> May 2009**

"In the proposed scheme of £ 75 per hectare on the new LFA scheme and £ 65 per hectare on the new NICMS\* for heather rich moor land totalling £ 140 does not come anywhere near the cost to the farmer maintaining these landscapes. Current LMC figure show a loss of £ 164 per suckler cow in Northern Ireland which is a shortfall of £ 24. To have an actual incentive we would need to make up the shortfall and then have an additional payment of least £200 per hectare."

\*Northern Ireland Countryside Management Scheme

The Department of Agriculture and Rural Development has published its Review of Support Arrangements of Less Favoured Areas in Northern Ireland (2009) and in this document a way forward has been identified for Northern Ireland. The review acknowledges the previous report of the National Beef Association.

Whether an additional payment as high as £200 per hectare is required is an issue to be decided by the relevant authorities, but it is clear that without payments such as LFA payments and the Single Farm Payment there is no viable future for these farming systems. This is clear from examination of nature conservation areas all over Europe. Where there are insufficient support payments, these areas are increasingly becoming unfarmed. In such areas, even in Poland, payments of over 200 euro per hectare are required to sustain grazing. Present costs, for areas such as in The Netherlands, are even as high as 1,000 Euros per hectare for extensively grazed pastures.

Taking a look at Poland, where most of the farm land is LFA and only 10% of the farmers are responsible for delivering 90% of all agricultural products, similar problems surface in quite a different way. Already 20% of the traditional meadows in Poland were abandoned before the agri-environmental scheme payments were introduced. Here agri-environment payments have already de facto turned into a source of income for farmers for ecosystem services. These payments are no longer truly a compensation for income foregone, because there is no income whatsoever anymore from growing agricultural produce in these particular parts of the country.

In Poland, the recent increase in agri-environmental payments for extensive farming from 200 to 500 euro per hectare has made these payments attractive enough for farmers to apply for the scheme again. In fact, agri-environmental payments are already payments for ecosystem services. This is of the utmost importance, for instance for the Briebza National Park with 20,000 hectares of meadows, where scrub species are encroaching and there are no specific funds available to manage these public lands. Due to the upgraded agri-environmental payments, farmers are now also prepared to lease meadows from the National Park and apply personally for agri-environmental payments. This may be a good example of how governments and the EU can work together and enhance close co-operation between farmers and nature conservation organisations. Whether it will be possible to again manage all the meadows and extensive grassland in an appropriate way, will depend on the budgets that will be made available. Additional financial resources could be made available to any EU Member State that applies for them, subject to European Commission approval of the details, under the new 'Article 68' criteria that are contained in the recently agreed CAP 'Health Check' regulations. Under certain circumstances,

Member States may be able to re-allocate up to ten percent of their Single Farm Payment funds to support a range of specified types of measures including, for example, uneconomic farming systems in disadvantaged areas to secure environmental benefits.

In the Netherlands there is, so to say, a shortage of land with natural handicaps such as that found in LFAs. In this densely populated area of Europe even formerly intensively farmed land is now either turned into extensive farmland or designated to be a protected area for nature conservation. In fact the designated nature conservation area in the Netherlands is expected to double over the next few years up to a total of 750,000 hectares and most of the nature (e.g. extensive grassland and heath) has to be reclaimed from intensively-farmed land, reflecting the scarcity of extensive grasslands and heath in this country. This increase reflects the high demand for extensively farmed land by society for their nature and landscape values. The high demand for these values by society is even more reflected in the high and rising costs for the favourable management of nature conservation areas, estimated to soon total more than 1 billion euro per year. It happens to be a good investment for the national economy and this can be calculated even from a straight forward economic perspective. Also in other parts of the EU, for example in France and Germany, restoration of extensive heathland from either intensively-farmed resources or from plantation forest reflects such a public demand.

Up until now nature organisations in The Netherlands have been able to lease their grassland and meadows in protected areas to farmers and thereby create an income for their organisations. However, if the present legislation and associated funding changes, farmers will lose interest in these arrangements and the cost to manage these areas will quickly rise to as much as 1,000 euro per hectare per annum. Local authorities in the Netherlands are already quite willing to pay for these costs. Common sense says that what was freely delivered once in the past, has to be paid for now. But the even better news is that regionally-orientated nature protection trust organisations such as “Geldersch Landschap en Geldersche Kasteelen” and “Nationaal Park de Hoge Veluwe” have started to sell produce from their own estates, orchards, vegetable gardens, and extensive managed grassland. Cheese, fruits and meat products are delivered by newly-founded regional supply chains and offered to their visitors at prices that can compete locally with products offered at world market prices. The combination of providing public services and the sale of farm products at competitive prices offers a new perspective for nature conservationists and farmers working together. It may be feasible to develop innovative and extensive multi-functional farming systems at least in the densely populated heart of Europe that provides each region with highly-desired quality products in competition with goods offered at comparative prices in the world market. The main problem, at least in The Netherlands, is that there is a need for better communication between the [provincial] government and landowners (including farmers, private estates and nature conservation organisations) about the transition from intensively-farmed land to extensively-farmed land, particularly in the Natura 2000 network.

## Global Cross Compliance

It should be noted that - unlike the tradition of the nature conservation movement in the United States - nature in Europe should not be automatically equated with wilderness. In Europe nature by and large has developed in co-evolution with farming practices over thousands of years. Even in a country like Norway most of the forest and mountain resources have been extensively utilized for husbandry, often in a system called 'summer farming.' This may be difficult to accept from a wilderness perspective on the ideal outcomes for nature conservation, but in Europe landscapes made by people are as much part of our cultural heritage as they are grounded in our natural resources. In this respect there is no level playing-field worldwide.

In Europe there is a demonstrable need to maintain extensive farming and where the productivity of the land is only a fraction of intensively-farmed land, there is no logic for a operating a severe state- aid test to determine possible anti-competitive practices within the internal market and in particular, where the following conditions are met:

- The land is part of the 60 percent of European farmland that is designated as Less Favoured Area which produces probably less than 20 % of all European food produced.
- Production is primarily for local and regional markets.
- Income from the provision of ecosystem services is cost-based and transparent.
- There are no significant distortions of world market trade in the mainstream agricultural commodities.

If it comes to the rationale behind the WTO discussions and state aid regulation, history can teach us some valuable lessons. At the Belfast meeting the history of the GATT, and later the founding of the WTO, with particular regard to agricultural dimension. Present WTO negotiations are a long way from addressing such issues as environmental cross-compliance for the agricultural industry and food/feed production at the global levels or such elements such as the state aid to farms in situations where food production is not any longer the farmers' main income source.

### **Box 1. Globalisation, the CAP and the WTO**

In his presentation, Arlindo Cunha from Portugal gave an historic overview starting in 1947 with the GATT, where the specificity of agriculture and its unique role in societies persuaded the USA and other nations to keep farming out of the negotiations. At that stage of global negotiations it was clear that the background was to protect internal farming production support systems. After 1960, the USA and the Cairns Group led the coalition to liberalise agricultural trade, which during the URAA (1995-2000) even became an external driver for the EU to liberalise its farm policy to an extent that the EU was allowed by the WTO to categorise all its main farming support funding elements as being within the Green box. At present within the EU, there is a liberal view on global trade issues from countries such as the UK and Denmark, and a moderate view from countries such as France and Germany. Whatever the outcome, it should be noted that in the post-2013 era the 2008 US farm Bill still includes an annual expenditure of 58 billion US\$ and under these conditions there is an essential need to discuss global cross compliance rules in the light of the cross compliance rules already in place in the EU.

The next question is how much should be paid for these public services, including ecosystem services? In the absence of a market mechanism, the price of these services can be assessed by minimum standard costs techniques. Preliminary calculations suggest that these payments should be in between €200 and €1,000 per hectare per annum, whereas the total economic returns to society derived from the provision and ongoing maintenance of these services will by far exceed the costs paid. In the longer run, it is foreseen that these public investments should help to develop local food, water, renewable energy and materials supply chains, which will mean that the publicly-funded costs to deliver these services and products will decrease over time.

### **Concluding remarks**

There is an urgent need to recognise that over half of the farm land in Europe has major functions with respect to the maintenance and enhancement of open scenic landscapes, biodiversity, the provision of clean water to urban areas, and sustainable local supplies of food and renewable materials. There is no need for a state aid test in the delimited LFAs, in particular where the inherent productivity is very low and where it will have to stay low in order to enable the provision of wide-ranging ecosystem services. Global cross compliance levels with respect to environmental issues such as biodiversity should no longer be ignored in the WTO discussions. After all, the Green Box classification that has been accepted in the WTO should be more than a political statement. In the meantime, a few useful policy instruments are already in place which (with adequate political imagination, innovation and will-power) could enable progress to be made with respect to providing and properly paying for the ecosystem-services that are now urgently required.

### **Follow-up actions**

- **Northern Ireland.** The position paper of the meeting was prepared. Early 2010 discussions between a farmer and the Ulster Wildlife Trust will start on financial mechanisms involving REP.
- **Poland.** REP in cooperation with the Biebrza national Park facilitated with a SELS grant the preparation of a Senter Novem project for Small Business Innovation Research program (SBIR). The project “Banking on Natura 2000 project” in the Biebrza Natura 2000 site is lead by the private Triple E knowledge centre in cooperation with the National Park Biebrza, Warschau university, OTOP, Alterra (Wageningen University and Research centre).
- **Norway.** REP is involved through Alterra in the Norwegian project Land use changes in urban pressure areas on invitation by Bioforsk and a REP meeting on national Parks and cooperation with farming is scheduled for September 2010.
- **France.** A follow-up meeting of the Belfast meeting with the Parc Naturel de Region D`Armorique and the University Occidental de Brest is scheduled for 2010.
- Netherlands.** Preparation by the province of Gelderland and Triple E of a Life plus project.

**Note** .this position paper is the responsibility of REP and does not necessarily reflect the opinions and views of participants and contributors to the workshop.