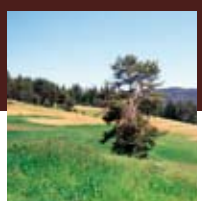
The relationship between the CAP and biodiversity

2006

Outcome of an international seminar in Warsaw, Poland 7-8 December 2006
The Common Agricultural Policy and farmland biodiversity in an enlarged EU



Structure of this report

This report results from an international seminar on the relationship between the EU Common Agricultural Policy and biodiversity held in Warsaw, Poland on 7 - 8 December 2006, which was hosted jointly by the Polish and Dutch governments. It is in three sections. The first outlines the conclusions of the seminar, identifying issues to be addressed on the CAP and farmland biodiversity, and presenting an agenda for further action. The central section summarises key points from the seminar presentations and plenary discussions, with examples which illustrate some of the findings of the working groups. The final section is an edited version of the seminar's background paper.

Disclaimer

Contents

agriculture, nature and food quality

dienstlandelijk gebied (DLG)
for sustainable land and water management

ROLNICTWO PRZYJAZNE PRZYRODZIE

Institute for European Environmental Policy

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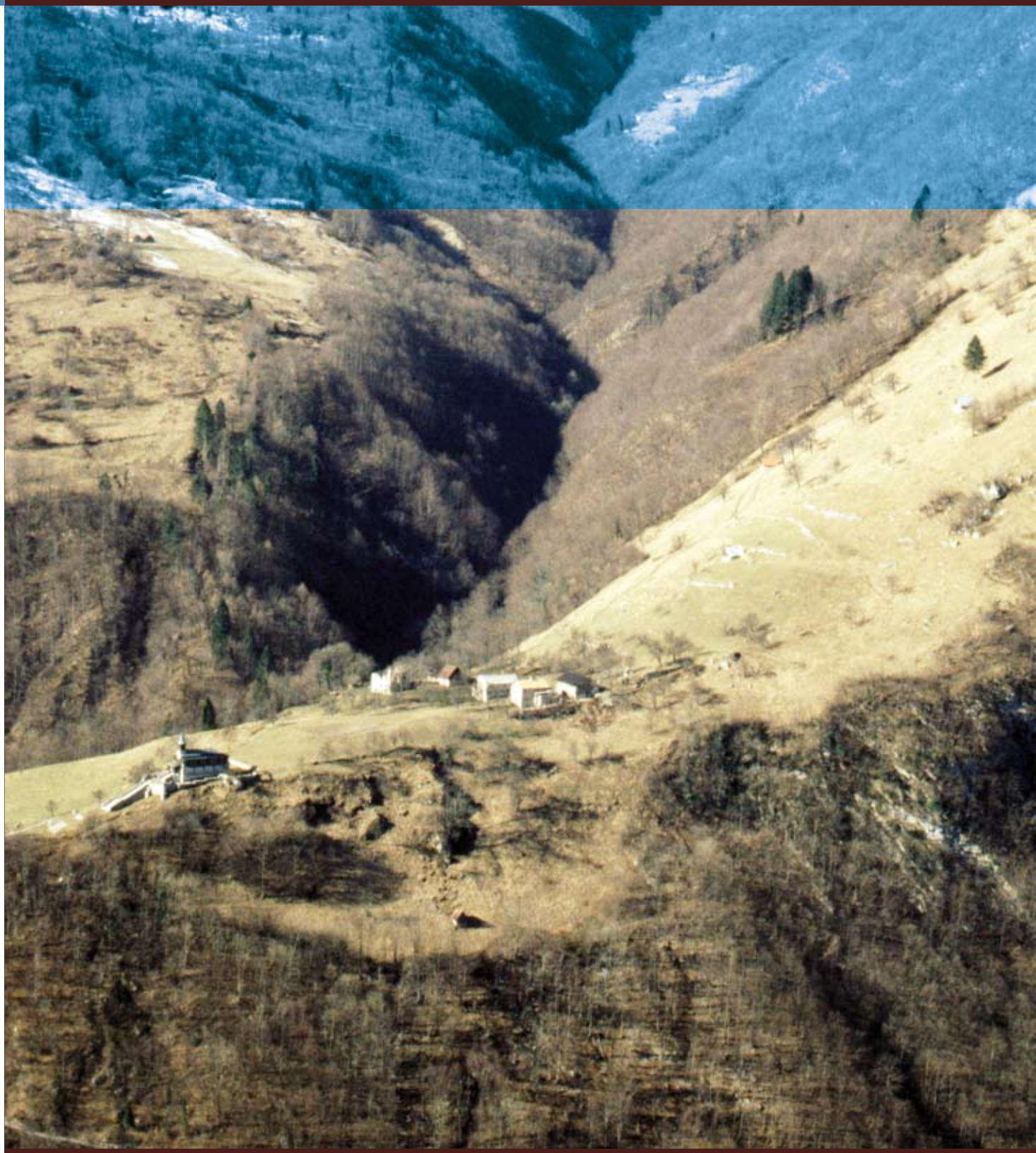
Abbreviations

Annex 1 birds	Species which are the subject of special habitat conservation measures under Article 4.1 of the Birds Directive
Axis 1	EAFRD rural development support for improving the competitiveness of the agriculture and forestry sector
Axis 2	EAFRD rural development support for improving the environment and the countryside
Axis 3	EAFRD rural development support for improving the quality of life in rural areas and diversification of the rural economy
Axis 4	EAFRD rural development support for Leader
CAP	Common Agricultural Policy
CORINE	Coordination of information on the environment. A programme proposed in 1985 by the European Commission, aimed at gathering information relating to the environment on certain priority topics for the European Union (land cover, coastal erosion, biotopes, etc.)
EAFRD	European Agricultural Fund for Rural Development (Council Regulation 1698/2005)
GAEC	Good Agricultural and Environmental Condition
HNV	High Nature Value
IBA	Important Bird Area
KNNV	Royal Dutch Society for Nature Conservation
LFA	Less Favoured Area
Natura 2000	European Union network of sites designated by Member States under the Birds Directive 79/409/EEC and Habitats Directive 92/43/EEC
NMS	New Member State
RDP	Rural Development Programme
SACs	Special Areas of Conservation
SAPS	Single Area Payment Scheme
SPA	Special Protection Area
SPS	Single Payment Scheme
UFGP	Usual Good Farming Practice



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The organisers would like to thank:
Mr. Henryk Kowalczyk, Secretary of State of the Ministry of Agriculture and Rural Development of Poland, for opening the seminar; Mr. Giuseppe Raaphorst, Director for Nature of the Ministry of Agriculture, Nature and Food Quality of the Netherlands, for his introduction and for chairing plenary sessions; Mr. Krzysztof Sulima and Mr. Alexander Page of the European Commission for presenting the Commission's perspective; Ms. Nina Dobrzyńska, Director of the Department of Programming and Analysis of the Ministry of Agriculture and Rural Development of Poland, for presenting the Polish perspective and chairing plenary sessions; Mr. Marek Jobda of OTOP for his presentation on farm management in Important Bird Areas; Mr. Andrzej Langowski of the Polish Ministry of Environment for his presentation on the relationship between birds and biodiversity; Mr. Tomasz Stuczyński of the Polish Institute of Soil Science and Plant Cultivation for his presentation on the use of LFA as a tool for environmental protection; Ms. Clunie Keenleyside of IEEP for preparing and presenting the very informative background paper; Mr. Peter Veen of KNNV (Royal Dutch Society for Study of Wildlife) for his presentation on the semi-natural grasslands of the New Member States and Candidate Countries; Ms. Marta Hrustel Majcen (Slovenia), Ms. Elina Nikkola (Finland), Mr. Atilla Lucskai (Hungary), Ms. Helene Holstein (Sweden) and Ms. Vyara Stefanova (Bulgaria) for their valuable national presentations on the relationship between the CAP and biodiversity; Mr. Tapio Heikkila (Finland) and Mr. Ariel Brunner (Birdlife International) for their reflections on the presentations and discussions of the first day; Ms. Marta Hrustel Majcen (Slovenia), Mr. Jaroslaw Krogulec (OTOP, Poland), Mr. Jan Sevenster (Netherlands), Ms. Maria Szemplińska (Poland) and Mr. Martin Lok (Netherlands) for chairing the workshops and the closing session; Mr. Wouter Verhey, Counsellor for Agriculture, Nature and Food Quality in the Netherlands embassy in Warsaw for his overall support for the preparation of the seminar; Mr. Henk Mulder (Director DLG) for his closing remarks; Ms. Kathryn Arblaster and Ms. Clunie Keenleyside for recording the discussions at the seminar; the interpreters Ms. Maria Jeżewska and Grazyna Jaśkowiak and last but not least all the participants for their contribution to the discussions.

The day-to-day work of the preparation was a team effort by a Polish-Dutch group composed of Mr. Matthijs Logtenberg (LNV/DLG), Mr. Gerard Terberg (LNV/DLG), Ms. Anna Stulka (Polish Ministry of Agriculture & Rural Development), Mr. Gerard van Dijk (LNV, Department of Nature), Mr. Marek Jobda (OTOP) and Mr. Wiktor Bijós (OTOP). The consultation process on the conclusions was undertaken by Mr. Gerard van Dijk and Ms. Maria Szemplińska in close cooperation with IEEP.

Foreword

Traditional farming is crucial for Europe's biodiversity because many species of animals and plants that cannot be found elsewhere depend on farmland managed according to traditional methods. However, farmland biodiversity has been under pressure for decades, due to both agricultural intensification and land abandonment, the latter a common phenomenon in the new Member States. In response, the EU started developing tools in 1985 to allow farmers to implement biodiversity-sensitive management. Thanks to EU enlargement, these instruments are now available to more countries than ever before, and the current candidate countries are also preparing to make use of them. The new countries bring a tremendous amount of biodiversity to the EU.

Since the early 1990s Poland and the Netherlands have cooperated on issues of nature conservation and, in 1996, the two countries joined forces with Hungary to organise a seminar in Dębe, Poland for eight central and eastern European countries. The seminar aimed to promote the introduction of EU agri-environment programmes in the then-candidate countries.

In this spirit of cooperation, Poland and the Netherlands organised a new international seminar in December 2006 - ten years after the Dębe seminar. Within the framework of their bilateral cooperation they created an opportunity for the new Member States, four old Member States, and the candidate countries to share their experiences in farmland biodiversity management and to review the current EU instruments under the Common Agricultural Policy. Some 100 representatives from the European Commission, 15 different countries, and two international NGOs held productive discussions on 7-8 December 2006. We are pleased to present the results of this seminar and hope they will prove useful for further discussions in this field.

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Secretary of State
Ministry of Agriculture,
and Rural Development, Poland

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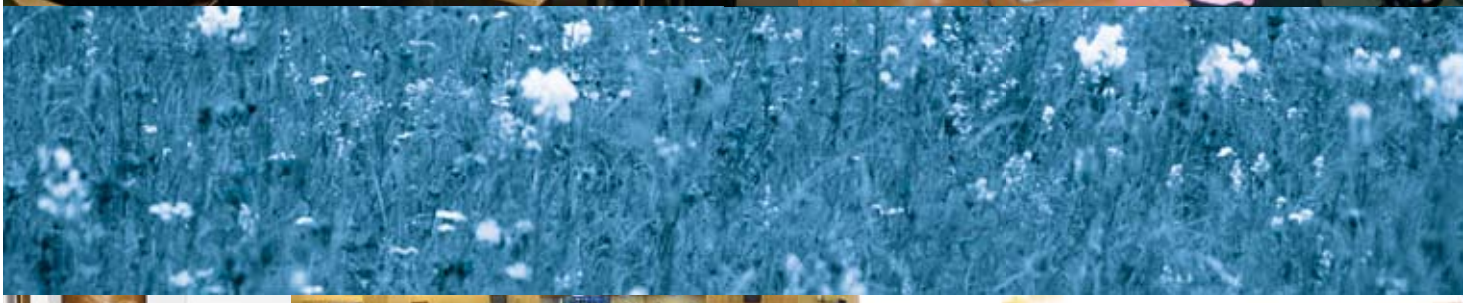
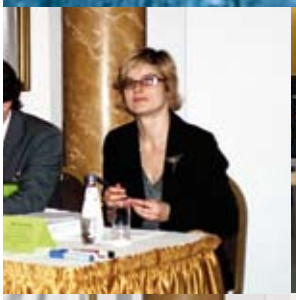




The Polish and Dutch governments jointly hosted an international seminar on the relationship between the EU Common Agricultural Policy and biodiversity on 7 - 8 December 2006 in Warsaw, Poland. Fifteen countries (seven New Member States, two Accession and two Candidate Countries and four EU-15 Member States) participated in the meeting, as well as the European Commission and some NGOs[1].

Conclusions from the seminar

Scope of the seminar

The participants:

- highlighted the importance of farmland biodiversity as well as its sharp decline over recent decades, due to changes in land management including intensification and land abandonment, the latter in particular in the New Member States, Accession and Candidate Countries;
- recognised the broad scope of agricultural biodiversity as defined in the appendix of Convention on Biological Diversity decision V/5 (Programme of Work on agricultural biodiversity) and summarised in the European Community Action Plan for biodiversity in agriculture as:

  (a) "wild" biodiversity (wild flora and fauna related to farmland nature values);

  (b) genetic variety of domestic plants and animals;

  (c) the life support systems (soil microbes, pollinators, predators, organisms that support fertility and productivity);
- noted that agriculture can have positive and negative impacts on the environment, including farmland biodiversity;
- focussed during this conference on the nature-aspect of agrobiodiversity especially in High Nature Value farmland areas but also in the wider countryside;
- recalled the Kyiv ministerial resolution on biodiversity, endorsed at the Environment for Europe conference in 2003, and in particular its section on agriculture and

[1] E.g. Polish Society for the Protection of Birds (OTOP), BirdLife International, European Forum for Nature Conservation and Pastoralism (EFNCP), Royal Dutch Society for the Study of Wildlife (KNNV) and Avalon.

biodiversity, calling for identification and biodiversity-sensitive management of High Nature Value (HNV) farmland in the pan European region;
- recalled similar commitments (under objective 2) in the European Commission Communication and Action Plan 'Halting the loss of biodiversity by 2010 and beyond';
- noted significant progress, driven by EU accession, in the introduction of agri-environmental programmes and other rural development instruments since the international Dębe (Poland) seminar on agriculture and nature conservation in 1996;
- but also noted that much still has to be done to halt and reverse the decline of farmland biodiversity in the EU-25, Accession and Candidate countries;
- took note of the comprehensive documentation of risks and opportunities for farmland biodiversity under the CAP contained in the background document for this seminar and used it as a useful source of information for the discussions and further work;
- noted the outcome of the Sigulda international seminar on 'Land abandonment, biodiversity and the CAP', jointly organised by Latvia and the Netherlands in 2004 and the options that were identified at that seminar to reinstate appropriate management of abandoned HNV farmland.

Current CAP options

The participants:
- recalled the European model of agriculture adopted by the Agricultural Council in 1998, recognising the multiple functions of agriculture, reaffirmed at the informal Agricultural Council in September 2006;
- recognised that farmers produce public goods, which the market does not reward, such as the conservation of farmland biodiversity, landscapes, recreational opportunities, and that adequate payment will be needed to maintain and enhance these functions of agriculture;
- reviewed the effectiveness and the implementation of the instruments under the CAP to support these important functions;
- welcomed the flexibility of the range of measures available to Member States, in both pillars of the CAP, to sustain HNV farming and welcomed the flexibility in all Axes of the second pillar (EAFRD); noted in particular the possibility of combining the objectives of the different axes of the second pillar, inter alia, by using the Leader approach in HNV areas, and the possibility of using Axis 3 measures to support the preparation of management plans in HNV areas.

Opportunities

The participants:
- noted the important opportunities for improved support for HNV farming offered by the new 2007-13 EAFRD Rural Development Programmes, the upcoming 'Health Check' of the CAP in 2008; and the review of the EU Financial Perspectives in 2008 - 09, the LFA review in 2010; the accession process of the Candidate Countries; and also considered options for the CAP beyond 2013.

Issues to be addressed

The participants:
- noted that problems arising with biodiversity in HNV farmland are comparable across countries but that they require tailor-made solutions because natural and local circumstances vary, as does the relative significance of the different opportunities and threats;
- noted that there are two main concerns to be addressed:
  i) to enable the continuity of agricultural management on HNV farmland;

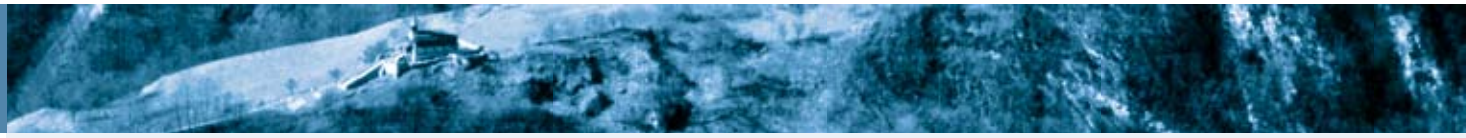
ii) to support the role of agriculture in delivering biodiversity-sensitive management on HNV farmland;

- noted that many HNV farms are small and face particular barriers in accessing CAP support (e.g. IACS registration, area-related payments, problems in complying with the Statutory Management Requirements of cross compliance); and that special arrangements may be needed for them;
- in some countries HNV farms (not only small farms) could have problems with the Statutory Management Requirements of cross compliance. This may hinder them from making full use of the CAP instruments, and ways should be sought to help them to comply;
- noted that in the case of small farms, area-related payments may be too low to be helpful; noted the need to address the issue of the role of subsistence and part-time farming in maintaining and enhancing the biodiversity values of HNV farmland;
- noted the need for safeguards against changes in the use and management of HNV farmland (including land use changes) that have an adverse effect on biodiversity;
- stressed the desirability of an integrated approach to maintaining HNV farmland using measures from Pillars 1 and 2 and from the different axes within Pillar 2;
- noted the need for safeguards to ensure that public funding has no adverse effect on the biodiversity of HNV farmland; noted in particular the need for proper implementation of the requirement in the EAFRD Strategic Guidelines that Axis 2 funding should contribute to the preservation and development of HNV farming; noted therefore the need for coherence between different parts of Axis 2 and the need to ensure that the funding under Axis 1 and Axis 3 does not conflict with this requirement for Axis 2; this also applies to LEADER;
- spatial convergence and coherence of all CAP measures needs to be evaluated and, if necessary, the measures adjusted to ensure that HNV farming is preserved and maintained;
- noted that the absence of grazing livestock is a serious problem for the maintenance of HNV grasslands and noted the possibility of encouraging continued livestock grazing by including this as a requirement in GAEC and/or a condition attached to LFA payments (but warned against farmers then deciding to opt out);
- noted that in duly justified cases it may be necessary to find a way of supporting the reintroduction of traditional farming systems on HNV land;
- noted that HNV farmland is a potential environmental asset for rural communities, but that this potential, and the public benefits of HNV farming, are not always recognised when decisions are made on investing in agricultural competitiveness and rural development;
- noted potential opportunities to improve levels of support for HNV farming after the CAP health check, for example through targeted modulation;
- noted that positive attitudes to biodiversity management on the part of both farmers and advisors is important for the successful delivery of effective HNV support, and that both advisory and paying agency staff need to be technically competent in the management of farmland for biodiversity.

Agenda

The participants identified the following issues that need clarification, elaboration or solutions:

- the future of subsistence and part-time farming and the opportunities and threats related to the process of transition from one to the other; the need to adjust existing instruments in order to support small HNV farms and to develop new tools aimed at safeguarding extensive HNV farming systems (including small HNV farms);



- the economic pressures on HNV subsistence and part-time farming, because the capacity of small scale HNV farming systems to generate market income is inherently less than that of larger-scale, modern farming systems;
- the lack of grazing livestock in several countries; addressing this issue inter alia through further development of the concept of grazing banks[2] and other measures;
- the reintroduction of grazing animals and/or mowing on abandoned HNV farmland and the need to ensure that such land becomes eligible for CAP support; options for restoration of grasslands that were abandoned both before and after 2003 and their subsequent eligibility for CAP support; noting the opportunities offered in Axis 2 to support 'non productive investments' on recently abandoned land, in order to prepare for reinstatement of HNV management, for example for clearing scrub and providing fencing to allow grazing;
- the position of livestock farmers without land, and of those grazing commons, who may have problems qualifying for area-based payments under both pillars of the CAP;
- the need for improved institutional capacity to provide appropriate advice on HNV farming systems and management for biodiversity; and the need for improved technical capacity of staff controlling GAEC standards for landscape features and habitat management;

And noted:

- a lack of capacity and awareness: low uptake of HNV measures has been a problem for some countries and it will be important to ensure that farmers (and advisors) understand and support the objectives of HNV management and are made aware of the opportunities offered;
- the need to exchange examples of HNV good practices among Member States and with the Commission;
- the lack of technical guidance from the Commission on the possibilities of using EAFRD instruments to preserve and develop HNV farming systems and traditional agricultural landscapes, as required in the Strategic Guidelines;
- the problems for small countries in setting up the necessary administration;
- the need to set quantified targets for the survival of HNV farming systems and the desired biodiversity outcomes; and to monitor the quality of HNV farmland in order to evaluate the survival of HNV farming systems and the biodiversity impact of CAP policies;
- the desirability of shifting attention from quantity of production to quality of produce in HNV areas - e.g. by supporting organic (biological) farming and new and traditional/regional HNV products;
- the three HNV criteria (semi-natural vegetation; low-intensity of use and/or land cover mosaics; and areas supporting rare species or important populations) are mostly acceptable (provided data are available and used) with some exceptions, but identification of HNV farmland remains difficult in practice; however, it is an essential pre-requisite for delivery of measures to support HNV farming systems;
- the need for a coherent application of agri-environment and Natura 2000 instruments in existing and prospective Natura 2000 areas; solving the problem of non-availability of EAFRD Natura 2000 compensation payments before formal designation;
- the disincentive of degressive Natura 2000 payments;
- the lack of measures for pollinating insects (for example honey bees), which are important both for 'wild' biodiversity and for pollination of many farmland crops;
- the impact of energy crops on HNV land;
- the impact of climate change on HNV land;
- the options in Axis 3 to support the preparation of management plans for HNV areas and also to support upgrading of the rural/ natural heritage.

[2] See description in box on page 22

This section of the report summarises important points from the presentations and discussions in the plenary sessions, covering the introduction to the seminar, issues facing conservation of farmland biodiversity in Poland, the importance of semi-natural grasslands, and examples from different parts of Europe of the use of CAP measures to conserve farmland biodiversity. This section does not attempt to cover all the issues raised in the conclusions (above) or in the background paper, although there is a certain degree of overlap with both.

Summary of **presentations and discussions**

Introductory session

Participants were welcomed by representatives of the two Member States responsible for organising the seminar, Poland and the Netherlands.

Mr Henryk Kowalczyk, Secretary of State, on behalf of the Polish Ministry of Agriculture and Rural Development opened the conference by welcoming the representatives of the European Commission, the EU-15, New Member States, Accession Countries and Candidate Countries, and experts from non-governmental organisations. Mr Kowalczyk emphasised the growing importance of environmental concerns in the CAP whilst highlighting a range of impacts that modern agriculture can have on the environment. He pointed to the importance of traditional farming systems for the survival of a number of valuable farmland habitats. He mentioned that Poland has a rich heritage of farmland biodiversity linked to local conditions and the continuity of traditional farming and emphasised the special role of maintaining natural resources in Poland. He emphasised the challenge of maintaining these resources in the face of the pressures of intensification and land abandonment. Mr Kowalczyk concluded by pointing out the need to support high nature value farmland in the EU.

Mr Giuseppe Raaphorst, Director for Nature of the Netherlands Ministry of Agriculture, Nature and Food Quality, was pleased to see such effective cooperation between Poland and the Netherlands in organising the seminar and he welcomed the presence of participants from 15 European Countries, the European Commission and several NGOs. He described the progress made in restructuring the CAP from an environmental viewpoint and noted the detailed information to be found in the IEEP background document. He also drew attention to the sources of information on semi-natural grasslands (later presented by Mr Peter Veen) and on birds, all of which can help governments to identify priority areas for agri-environmental programmes, Less Favoured Area support, and Natura 2000. In this context he also highlighted the role that LFA support can play in the maintenance of valuable rural landscapes. Mr Raaphorst then noted that the CAP can support HNV farmland and landscapes in two ways, firstly by helping agricultural management to survive in areas important for their biodiversity or landscapes, and secondly by supporting biodiversity-sensitive management of this farmland. Furthermore, he wondered if it would not be reasonable to concentrate CAP support in the future (after the year 2013) on farms that really need it in order to produce public goods, such as biodiversity and landscape. This could also be the justification for CAP support after 2013 and in this way agriculture and nature conservation could help each other, as has already became apparent with the emergence of multi-functionality, but to an even greater extent in the future. For such an approach to succeed, however, we must be able to show results. Therefore the challenge for the seminar would be to review the impact of the CAP on biodiversity, and the effectiveness of the CAP instruments.

Mr Alexander Page and Mr Krzysztof Sulima of the European Commission outlined the current EU policy background, and the Commission's perspective on the CAP as one of the tools to halt the decline in farmland biodiversity. The Biodiversity Action Plan for Agriculture shows how both CAP pillars can be used to protect farmland biodiversity, and the Communication Halting the Loss of Biodiversity by 2010 and Beyond stresses the role of the CAP, while the new EAFRD Regulation provides a useful toolkit for specifically targeted spending. Key points to be considered when DG Environment assesses the 2007-13 rural development programmes will include consistency with the Commission's Strategic Guidelines, the relevance of the strategy proposed and the measures selected, and their link to existing environmental problems. Environmental descriptions, consultations, synergy between measures and axes, and financial balance will also be assessed.

A presentation of the seminar's background paper by IEEP completed the introductory session, exploring the options for a framework of CAP support for HNV farming in the future[3].

Farmland biodiversity and the CAP in Poland

Ms. Nina Dobrzyńska, Director of the Department of Programming and Analysis for the Polish Ministry of Agriculture and Rural Development, explained the particular challenges in protecting the farmland biodiversity of Poland, with 16 million hectares of agricultural land and 1.4 million farmers receiving CAP direct payments. Of the total farmland area 21% is permanent grassland and nearly 10% has been identified as Important Bird Areas. This farmland is important for the future conservation of EU populations of species which are very rare or do not occur in other Member States, including some globally threatened birds

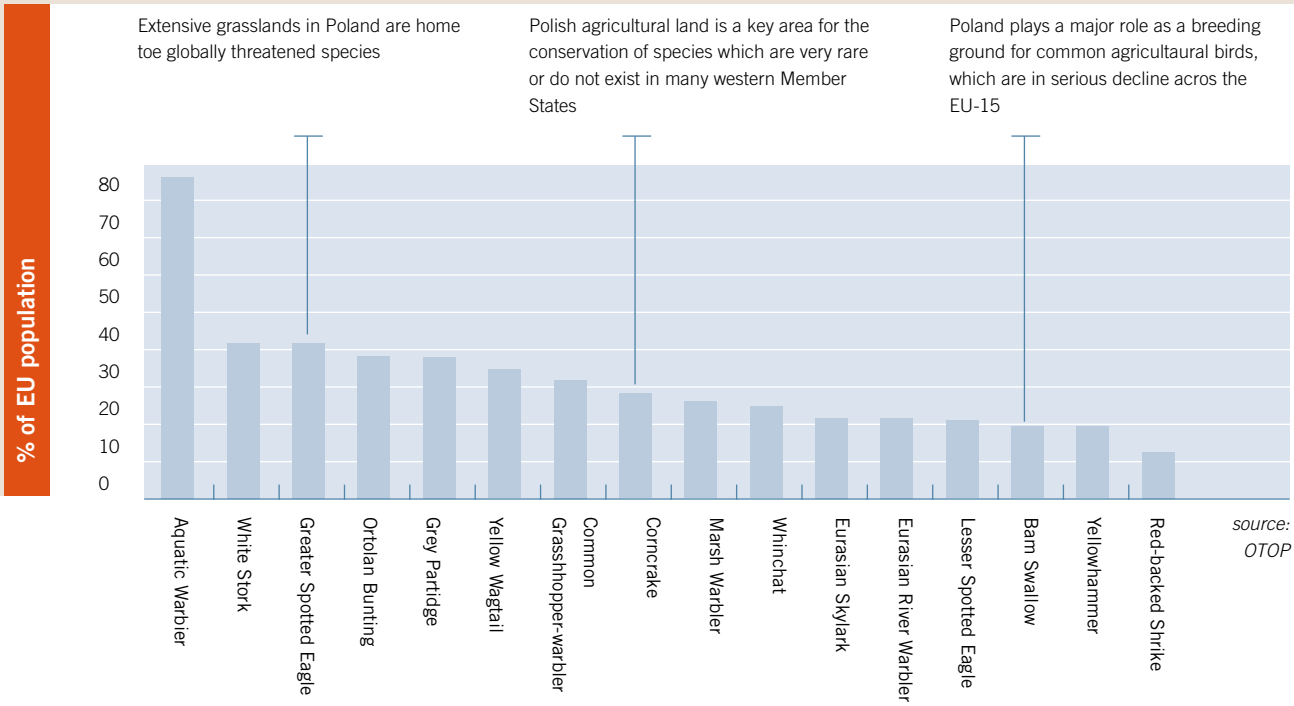
Polish farms are small (less than 10 hectares) and in the programme for 2007-2013 it is planned that only one in seven will be under an agri-environment contract. LFA payments are more accessible and more popular with

[3] See description in box on page 22

farmers than agri-environment schemes, and are expected to continue to take a significant share of the Axis 2 budget, perhaps up to 40%. The Polish agri-environment programme has been revised for 2007-13, and will include measures for extensive grasslands and valuable natural habitats, but the many other demands on funding are likely to result in a compromise between environmental and socio-economic priorities - for example the high levels of rural unemployment mean that Axis 3 support will be particularly important in Poland.

The transition to full cross compliance will be complex over the next three years. For example, agri-environment schemes are being reviewed to ensure there is no overlap with the new baseline, and some existing Usual Good Farming Practice (UGFP) standards for LFA payments may not be transferred to GAEC when this becomes the new baseline for Axis 2. Control of cross compliance will be difficult when new standards must be applied to so many small farms.

Mr. Marek Jobda of Polish Society for the Protection of Birds explained that Poland is of major importance within the EU for its populations of farmland birds, both internationally protected species and more common birds (see figure below). An overall decrease in Polish populations of farmland birds has been recorded since 2000, particularly in regions of intensive agriculture. He pointed out that even where protection of IBAs conserves threatened species, this will not halt the decline of common farmland birds, which continue to be threatened by increasing mechanization, use of monocultures, drainage, removal of small landscape features, conversion of grassland to arable, afforestation of HNV grasslands, and land abandonment. Direct payments under the CAP are driving such land use changes, and pose a risk to common farmland birds, which require specific management in support of biodiversity, including maintenance of small landscape features, linear features, mosaics of small land parcels, low intensity grazing and late mowing.



OTOP propose the use of GAEC, LFA, agri-environment and Natura 2000 payments to secure this management, but he also indicated that a clearer focus on HNV farmland was needed, noting the urgency, the need for government monitoring of the effects of agricultural policy on biodiversity, and the benefits of full consultation with stakeholders.

Mr. Andrzej Langowski, of the Polish Ministry of Environment, explained that achieving 'favourable conservation status' under the Habitats Directive will require maintaining the stability of both the populations and the range of Natura 2000 species, and also the structure and functions of Natura habitats. Member States must also try to encourage management of landscape features important for the dispersal of wild species. Agri-environment schemes can be a powerful mechanism for securing favourable management of agricultural areas to maintain semi-natural habitats and scarce species. Eight different semi-natural habitats (mainly grasslands) have been identified as suitable for agri-environment measures in Poland, but the key to land management is in reaching agreement between stakeholders on the needs of both farming and nature conservation - communication, information, listening, consultation, awareness, sharing and participation are all very important.

More than half Poland's farmland has been classified as LFA, and the next speaker, Mr. Tomasz Stuczynski of the Polish Institute of Soil Science and Plant Cultivation, explored the potential use of LFA payments as a tool for environmental protection. A Land Quality Indicator has been developed taking account of soil quality, relief, moisture and climate - 60% of soil cover in Poland is in poor condition, and will be at high risk of leaching if inputs increase; land consolidation in areas of poor quality soils could lead to decreasing landscape diversity. A higher proportion of abandoned land is found within the LFA, compared to the rest of Poland, but there is little risk of depopulation in these areas; LFA support could therefore be important in maintaining agricultural production and preventing land abandonment.

In the discussion of the presentations on Poland it was noted that the government has not yet fully designated Natura 2000 sites in legal terms and concern was expressed that in Poland too little has been done to deliver habitat management for Natura 2000 sites, despite the fact that agri-environment measures are seen as an important means of supporting favourable conservation status on Natura 2000 farmland. In the response to this opinion the representative of the Polish Ministry of Agriculture and Rural Development pointed out that in the Polish agri-environmental programme for 2004-2006 special incentives had been given to farmers managing NATURA 2000 sites For the period 2007-2013, Poland plans to establish special measures addressing management by farmers of Natura 2000 sites in order to create win-win situations, both for farmers and for valuable habitats.

In discussion, the point was made that the EU-15 Member States have not made good use of LFA payments to support environmentally sensitive management, and in the old Member States there have been few restraints on the widespread intensification of LFA land, which has included the conversion of grassland to arable. According to this intervention, such failure of LFA policy needs to be remedied where there is a link between LFA and HNV areas.

Opinions were also voiced that there is a need to respond to social problems in HNV areas which cannot be addressed by agri-environment payments alone, for example, the lack of young successors willing to take over from older farmers, and the need for alternative sources of income for farm families because many HNV farms do not provide full employment.

Semi-natural grasslands as a component of HNV areas

The presentation by Mr. Peter Veen of the Royal Dutch Society for Nature Conservation highlighted the importance of semi-natural grasslands in HNV farming areas. These biodiversity hotspots are threatened by changes in agricultural practices and need to be managed properly for biodiversity. Over the past 15 years, semi-natural grasslands have been mapped in most of the EU-10, accession and candidate countries, providing national GIS databases of grassland biodiversity and other useful information such as management and abandonment. He outlined a three tiered approach to sustainable grassland management using GAEC cross compliance, LFA payments, agri-environment measures, and specialised nature management. To illustrate the urgent need for agri-environment support, he compared the historical and current role of low-intensity grassland management in farming systems (see box below) and explained the key points for agri-environment schemes targeted at grassland management:

- take historical grassland management of the area into consideration;
- use low input practices as the basis of land management;
- prohibit rotational practices because this destroys semi-natural vegetation patterns;
- define minimum and maximum thresholds for grazing intensity.

He emphasised the need to support mixed farming and subsistence farmers in the large areas of Europe where permanent pastures and hay meadows still exist, and proposed that, in addition to Axis 2 support, the semi-subsistence measure in Axis 1 should be continuous rather than lasting for only five years. He also saw a need for harmonisation across Member States in terms of the priority given to semi-natural grasslands when allocating agri-environment budgets.

The role of semi-natural grasslands within the farming system

Historically

- Grasslands were an essential part of mixed farms
- Grasslands produced winter food for cattle
- Grasslands were adapted to abiotic conditions like soil type, water table and climate
- Grasslands provided food for a wide range of cattle and other livestock
- Costs of grassland management were relatively low

Present Day

- Specialisation of farms means there is less need for grasslands in some regions
- Other food stuffs are available, partly imported from elsewhere
- Technical progress and equipment allow abiotic conditions to be modified through land reclamation etc.
- Mixed farming with cattle is less and less common, due to specialisation
- Labour costs will be an important factor in the future

The relationship between CAP and biodiversity in different parts of Europe

The practical application of CAP measures for the conservation of farmland biodiversity was illustrated by presentations from four Member States and one of the accession countries.

Finland

The land use pattern is a mixture of agriculture and forest areas, and both farms and agricultural areas are relatively small (average farm size is 33 hectares). Finland has adopted partial decoupling under the SPS to ensure that agricultural land is not abandoned and to safeguard production in some sectors (e.g. sheep and beef, which have some coupled payments). The biodiversity benefits of maintaining agricultural production include open landscapes (instead of forest) with fields, buffer zones, wetlands and grazing animals. Conserving biodiversity should be an integral part of ordinary farming practice and Axis 2 payments, especially agri-environment measures, are the main instrument used in Finland, but Leader action groups also help to support activities promoting biodiversity. Conservation work may also be a business opportunity for farmers, for example there are many valuable habitats to be maintained within towns and along roads, where farmers are contracted to cut roadsides, clear ditches and manage uncultivated land. Current HNV criteria do not work well for Finland, and a research project is starting in 2007 to look at defining HNV farmland nationally before specific measures are designed. As in many Member States, the lack of grazing livestock can be a problem for grassland management but Finland has developed an innovative solution in the form of an internet-based 'grazing databank' which links farmers seeking pastures for their animals to farmers who have grassland in need of grazing management (see box below).

A National Grazing Databank in Finland

The number of grazing animals has been falling in Finland as a result of specialisation and concentration in certain regions and larger units. Because grazing has been one of the most significant means of maintaining open farming landscapes and agricultural biodiversity, it was important to develop new ways of promoting and increasing grazing.

The development of a Grazing Databank started in 2003 as part of a national biodiversity research programme. The Databank is an internet service which functions as a meeting point for producers who raise grazing animals and landowners who are interested in landscape and nature management. The Databank offers a search service to find grazing animals and grazing land, and also provides information on grazing, grazing animals and how to organise contract grazing. There is a charge for adding information and accessing contact details. The databank has been tested in seven municipalities in the Tampere region and worked well for both the owners of livestock and the municipalities. In 2006 the "basic stock" of the Grazing Databank consisted of more than 700 cattle and 300 sheep that were searching for new pastures in the Tampere region.

There has been wide interest in the Grazing Databank and in grazing for landscape management purposes from all over Finland, and in February 2007 the service will be extended to the whole country. For the next three years the operation of the national databank will be financed by the 21 contributing organisations, but once it is established operating costs could be covered by user charges. For the Databank to work properly it is essential that it contains a sufficient number of contacts, and during 2007 the organisations involved will promote the Databank in e-mails, press releases, newsletters and publications, directing information to the most important target groups. The Databank website is at www.laidunpankki.fi.

(Information provided by Ms. Hannele Partanen, Development Manager Rural Landscape and Nature Management, Rural Women's Advisory Organisation / ProAgria Rural Advisory Centres)

Sweden

Only 8% of Sweden is farmland (concentrated in the South) compared to 60% under forest. The main threat to farmland biodiversity, particularly in Northern and Central Sweden, is abandonment with the consequent loss of pasturing and regrowth of woodland, leading to loss of both landscape features and biologically valuable grasslands. Semi-natural grasslands and meadows have greater species diversity than most other land types in Sweden, and are regarded as HNV farmland for policy purposes. In 1999 the Swedish government declared, as one of 15 national environmental quality objectives, the importance of protecting the farmed landscape and preserving and strengthening its biological diversity and cultural heritage. This was an important step in raising public and political awareness of the value of a pastoral landscape and in securing agri-environment funding for its management. By 2010, the first interim target will have been achieved of managing all semi-natural meadows and grazing land to preserve their value. The use of agri-environment payments in the ten years since Sweden joined the EU has led to a significant increase in the area of managed semi-natural grasslands (from 354 500 hectares to 508 000 hectares) and improvements in the maintenance of landscape features. Evaluation of grasslands has shown that although the quantity (area) has increased, the quality of biodiversity management is often neglected. CAP Pillar 1 reform (decoupling) in Sweden is leading to more extensive use of farmland, with more ley and fallow, and lower numbers of grazing cattle. This, together with poor compliance with GAEC standards, is putting valuable grasslands at risk of further deterioration. As grazing livestock systems are not very profitable, it may be necessary to increase incentive payments to achieve high quality pastoral management of semi-natural grasslands. In Sweden's rural development programme (2007–2013), 70% of the budget will be allocated to Axis 2, and there will be a new emphasis on the quality of grassland management, using a recently compiled inventory of valuable grasslands and specific indicators of habitat and landscape quality.

Hungary

Agriculture is the dominant land use in Hungary and there was a well established national agri-environment programme before accession. One third of the utilised agricultural area is now supported by a range of different agri-environment measures, including those specifically targeted at HNV areas (see box below). Future development of the programme will be aimed at diversification of grassland and arable measures based on local habitat needs, increased payments per hectare, and special support for traditional livestock varieties.

HNV management within a tiered agri-environment programme in Hungary

- **Entry level** schemes (arable stewardship, grassland stewardship, endangered breeds of livestock) and other habitat schemes (wetland habitat schemes)
- **Integrated crop management** schemes (ICM) (arable crops and vegetables, permanent crops)
- **Organic** farming schemes (arable crops, vegetables, grassland, permanent crops, livestock)
- **High Nature Value** farmland schemes (mainly arable land and grassland) to support special low input farming methods that favour the protection and improvement of biodiversity
- **Supplementary** agri-environmental measures which can be combined with arable stewardship scheme and all integrated, organic or HNV agri-environmental measures.

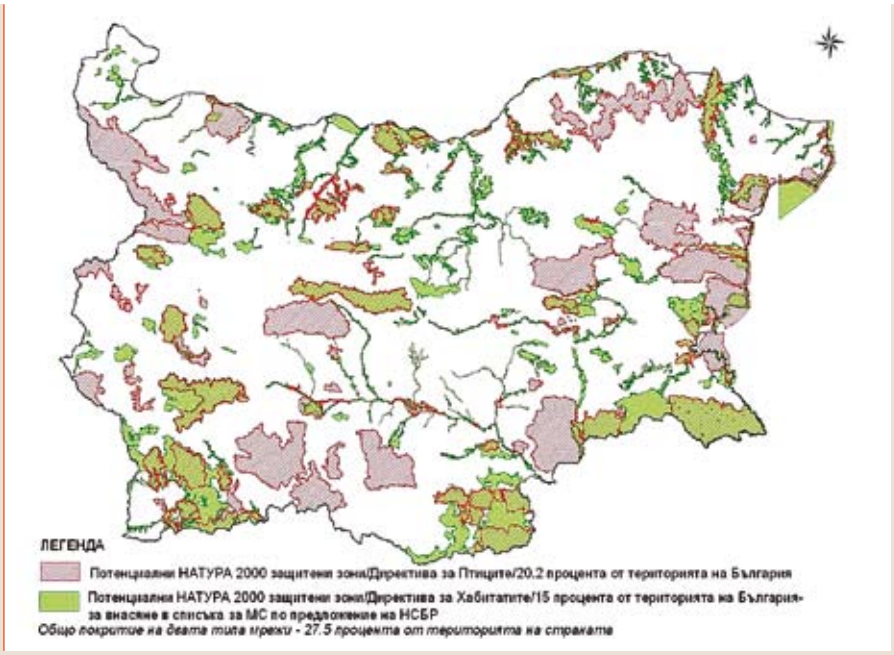
Slovenia

One third of Slovenia is agricultural land with an average farm size of only 5.6 hectares and a typical structure of small, dispersed parcels of land. The main threats are intensification and abandonment, and the number of farms is decreasing. 12% of the rural population are still active farmers, with agriculture being an additional source of income for most of them. There is a wide range of agri-environment measures in place, including several relevant to the management of HNV areas (see box below). One third of farmers are involved in agri-environment schemes and compliance with training requirements is seen as important. Slovenia has well preserved and diverse habitats, with a high proportion of Natura 2000 sites, which cover 35% of the land area. Considerable effort has been put into the education of both farmers and the public to improve understanding of the need to protect and manage Natura 2000 farmland.

Slovenia has decided not to use the Natura 2000 compensation payments, preferring agri-environment measures instead. These can support farm incomes, for example by providing employment in habitat management and encouraging organic production (which at present is insufficient to meet domestic demand).

Slovenian agri-environment measures relevant to HNV management

Mountain pastures: without herdsman: € 138 /ha, with herdsman: € 144/ha
Steep slopes mowing: inclination 30-50%: € 132/ ha, over 50%: € 190/ha
Humpy meadow mowing: € 190/ha
Meadow orchards: € 137/ha
Rearing of autoctonous and traditional domestic breeds: € 120/LU
Production of native and traditional agricultural plants: crops: € 343/ha, **perm. crops:** € 515/ha, **forage crops:** € 81/ha
Sustainable breeding of domestic animals: € 65/ha
Extensive grassland maintenance: € 71/ha
Animal husbandry within hunting areas of large carnivores: € 213/ha
Preservation of special grassland habitats: € 178/ha
Preservation of grassland habitats of butterflies: € 178/ha
Preservation of litter meadows: € 270/ha
Providing favourable conditions for endangered bird population and habitats in damp grassland: € 178/ha
Permanent green cover in water protection areas: crops: € 122/ha, **perennial crops:** € 270/ha,
grassland: € 46/ha



Bulgaria

Half the land in Bulgaria is farmland. Grasslands are important, covering more than one third of the utilised agricultural area, but because much of this land is owned by municipalities or the state and is used as common grazings there are significant problems in delivering Axis 2 support for biodiversity management. The agri-environment programme includes five packages of sub-measures for HNV farmland (restoration and maintenance of undergrazed and overgrazed HNV grasslands, habitat management for waterfowl and for protected species, and the restoration of riparian habitats). Levels of farmland biodiversity are high, but there is a major problem with the identification of HNV farmland because the inventory is not complete and it is not clear what proportion of these grasslands will be included in potential Natura 2000 sites. The scale and distribution of the Natura network is illustrated in the map below - 109 sites are proposed for designation as protected zones under the Birds Directive.

These sites cover 1 854 449 ha of which 52 988 ha are aquatic, 1 801 461 ha inland - 16.23% of the total Bulgarian territory. It is proposed to designate 196 protected zones under the Habitats Directive, covering a total area of 1 733 272 ha of which 60 966 ha are aquatic, 1 672 306 ha inland - 15.06 % of the total Bulgarian territory. Establishing the Natura 2000 network is a sensitive political issue, with opposition from landowners.

Discussion of issues raised

In the discussion that followed these presentations from Member States, delegates considered the problems of defining HNV farmland areas. The European Environment Agency and the European Commission's Joint Research Centre have developed a systematic approach to identifying HNV farmland areas at a broad scale[4], although there is not an established approach to identifying HNV farming systems and farms. Member States need to be able to target CAP measures in the meantime, but it was pointed out that in most Member States there are existing data that could be put together to provide a useful means of identifying HNV farmland areas, and that agri-environment schemes can be targeted at HNV habitat management without the need for new maps (for example in England, regional biodiversity priorities are used to encourage uptake of schemes at farm level). In deciding how best to use the CAP to support HNV farmland it is important not to lose sight of the flexibility offered by Pillar 2 but this can be daunting for Member States faced by competing priorities for funding, and a lack of guidance on using the new Regulation.

From the chair, Mr Raaphorst noted the commitment and sense of urgency in all countries, and the challenges facing Member States, new and old, and the Candidate Countries. He pointed to the striking similarity of problems in conserving HNV farmland but noted that the solutions are likely to differ from one country to another. The 'health check' of the CAP in 2008, and the review of the CAP and its funding in 2013, will provide opportunities to improve the instruments available for this important task.

In the reflections and discussions of all the presentations, attention was drawn to the consensus among delegates on the issues facing HNV farmland, the wealth of knowledge and expertise already available in Member States, and the wide scope of the policy tools now available under the CAP. New Member States have an opportunity to avoid the collapse of farmland biodiversity and the challenge of avoiding making the same mistakes as the old Member States.

There are particular problems because areas of HNV farmland often consist of many small farms of low productivity (e.g. in Romania, Bulgaria and Malta). Although abandonment of HNV farmland may be more evident at the moment, the threat from intensification should not be underestimated. CAP payments provide subsistence farmers with the resources to intensify, and some farmers are not interested in agri-environment schemes, only in modernisation and increasing productivity. When small farmers give up their HNV land it may be taken over by bigger farms and converted to modern intensive production (this was reported from Finland); elsewhere Western European farmers are investing in the new Member States. It may be difficult for small farmers to access support schemes and they are not always able to co-operate effectively to make joint applications.

It is essential to make sure that farmers understand why farmland biodiversity is important, how it should be managed and what public benefits this will provide. This may involve putting more resources into educating and informing farmers about agri-environment schemes (as now happens in Finland), and may require new levels of co-operation between farm advisory services and environmental organisations. Farmers' organisations can be a useful way of delivering advice and support on environmental management in a form that farmers accept and understand, as has been shown in Sweden and the Netherlands.

Recognising the value to society of HNV farmers, and ensuring their viability, would be helped by redefining competi-

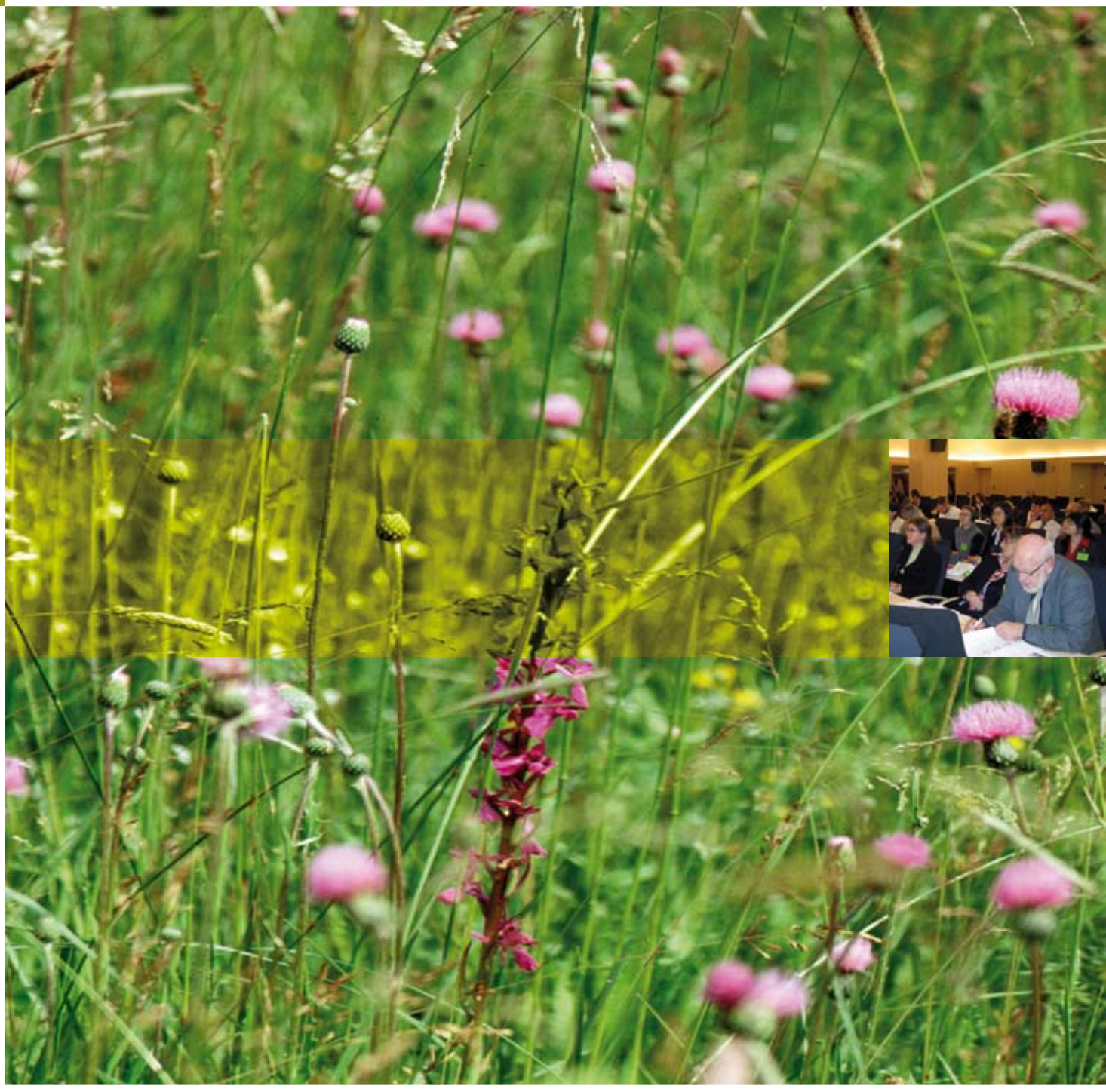
[4] Paracchini et al., 2006

tiveness on grounds of quality, not quantity, within a multi-functional model of farming which rewards the production of public goods such as HNV habitat management. At present there is no obligatory link between the competitiveness objective of Axis 1 and the environmental and social objectives of Axes 2 and 3. Some participants felt it is not satisfactory to leave it to the farmer to make this link and attempt to achieve multi-functionality, very few will do this. Instead more attention could be paid to the cumulative impact (and potential) of different rural development measures on HNV systems at farm level, and support should be used creatively to maintain and modernise the traditional management practices needed to support HNV farming systems (e.g. the Grazing Databank in Finland).

There is also a need to understand how best to achieve effective delivery of well-designed schemes and to build administrative safeguards into the system to ensure that CAP measures do no harm. Research will be important too, in monitoring the combined spatial impact of all CAP measures on HNV farmland, and also in adapting schemes as climate change makes it necessary to take a more dynamic view of conserving HNV species and landscapes. Agri-environment schemes may combine widespread 'shallow' measures implemented across much of the landscape with more specific measures for HNV habitats.

Several delegates emphasised the importance of setting qualitative targets and using appropriate indicators to evaluate the impact of Axis 2 measures on biodiversity and landscapes of HNV farmland - an approach already being used in Sweden, Finland and Estonia.

In conclusion Mr Henk Mulder, Director of the Government Service for Land and Water Management in the Netherlands, noted the sense of urgency among delegates to address the threats to farmland biodiversity and HNV systems that changes in land management are already bringing, and the wide range of CAP measures which have a potential impact on these changes. He thanked delegates for contributing to the discussion of opportunities and for sharing their experiences of CAP implementation, and brought the seminar to a close.



Background paper

by the Institute for European Environmental Policy
Clunie Keenleyside and David Baldock

Executive Summary

This paper is intended to stimulate discussion and to consider how the CAP could:

- enable the continued agricultural management of high nature value (HNV) farmland, when the number of individual farms is decreasing and farmers are facing economic and social pressures (some from within the CAP itself); and
- ensure the environmentally-sensitive management necessary to maintain and improve the biodiversity of Europe's high nature value farmland.

It is estimated that around 15 - 25 % of the European countryside is HNV farmland, with large areas in the twelve new Member States and the candidate countries under pressure of both land abandonment and intensification (possibly for the production of energy crops). The majority of HNV farmland consists of semi-natural grassland systems, many of them suffering from a lack of grazing livestock. The EU is committed to halt the decline of biodiversity by 2010, but this target cannot be reached without additional policy efforts to conserve HNV farmland.

As Member States adapt to fully or partially decoupled CAP support, there will be both new pressures on HNV land and

an opportunity to put in place specific and timely safeguards to protect HNV farmland from abandonment and intensification driven directly or indirectly by some CAP policies. Pillar 1 payments may offer HNV farmers a new source of income but provide no guarantee of biodiversity management beyond the basic protection offered by cross compliance. There are some opportunities to use a small proportion of the Pillar 1 budget to support HNV farming systems, but these are not available in most of the new Member States.

Pillar 2 measures offer support for areas with natural handicaps, for agri-environment, organic farming and the conservation of genetic resources, Natura 2000 compensation payments, and non-productive (environmental) investments. EAFRD support for all of these measures must contribute to biodiversity and the 'preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes', offering Member States the opportunity to prioritise HNV farmland in their rural development programmes. It will be necessary to take into account changing types of land ownership and the need to support graziers who have no land of their own.

Axis 1 and Axis 3 could provide support for improving farm family incomes, building farmers' managerial and technical capacity, and developing markets for the produce of HNV farms, but safeguards will be necessary to ensure that biodiversity associated with HNV farmland is protected from the potentially damaging effects of these much needed economic and social improvements. Rural communities in HNV areas could be offered the opportunity to develop integrated programmes using the Leader approach.

A framework is proposed for a coherent package of CAP measures for each HNV area, targeting the environmental, economic and social needs of the farming system as an interdependent whole, not a series of separate issues. Such a framework could cover firstly the need to identify and record HNV farming systems on IACS; and secondly, use Pillar 1 and Pillar 2 measures to secure appropriate low-input farming, support the extensive system of production, and secure the HNV infrastructure of the farm. When all these elements are in place specific Pillar 2 support for biodiversity management could be targeted at HNV habitats and species. In parallel with these land-based measures, the social and economic problems of HNV areas could be addressed by Pillar 2 measures to develop the skills and capacity of the farmer and his family, and to secure the future of rural communities in HNV farming areas.

Purpose and Structure of the Background Paper

This was prepared as a background paper for the conference, intended to stimulate discussion. The paper first looks at the importance of high nature value (HNV) farming and the threats to its survival, and then considers how a range of CAP mechanisms could:

- enable the continued agricultural management of HNV farmland, when the number of individual farms is decreasing and farmers are facing economic and social pressures (some from within the CAP itself); and
- support the environmentally-sensitive management necessary to maintain and improve the biodiversity of Europe's high nature value farmland.

Finally the paper discusses a possible framework for integrating different CAP mechanisms at the national level.

Europe is well known for the rich natural heritage of its agricultural landscapes shaped by the traditional farming systems which have created habitats for a wide

range of species. The European Environment Agency has made a preliminary estimate that around 15-25% of the European countryside can be considered HNV farmland, but it is unevenly distributed, with large areas in eastern and southern Europe including the twelve new Member States and the candidate countries. During the 20th century both the size and biodiversity quality of these areas have declined, and HNV areas are still under pressure from both intensification and land abandonment.

In 2001, the European Council made a commitment to halt the decline of biodiversity in the EU by 2010, and two years later the European Ministers of Environment recognised the importance of farmland biodiversity and the urgent need to take care of it for future generations when they declared, in their resolution from Kyiv, in 2003, that:

'By 2006, the identification, using agreed common criteria, of all high nature value areas in agricultural ecosystems in the pan European region will be complete. By 2008, a substantial proportion of these areas will be under biodiversity-sensitive management by using appropriate mechanisms such as rural development instruments, agri-environment programmes and organic agriculture, to inter alia support their economic and ecological viability…[5]'

It seems clear that the 2010 biodiversity target will not be reached without additional policy efforts to conserve HNV farmland[6]. These will cover environmental policy (including its implementation) and other actions, but agricultural policy remains an important tool and in May 2006 the European Commission released its Communication on halting biodiversity loss, with a new 'EU Action Plan to 2010 and Beyond' which specifies actions using the CAP to support HNV farming, at both Community and Member State level[7].

The EU policy framework underpinning agri-environment and other related measures on high nature value farmland is much more robust for the 2007-13 rural development programmes than it was for the 2004-06 period. The more strategic approach to the use of EU funding under the current European Agricultural Fund for Rural Development (EAFRD) requires Member States to prepare a national rural development strategy as the reference framework for their 2007-13 programmes in compliance with the Commission's Strategic Guidelines. These include the requirement:

> *'To protect and enhance the EU's natural resources and landscapes in rural areas, the resources devoted to Axis 2 should contribute to three EU-level priority areas: biodiversity and the preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes; water; and climate change[8]' (our emphasis).*

[5] UN/ECE (2003). Kyiv resolution on biodiversity. Fifth Ministerial Conference 'Environment for Europe', Kyiv, Ukraine, 21–23 May 2003. Document ECE/CEP/108. United Nations, Economic Commission for Europe.

[6] European Environment Agency (2004) High Nature Value Farmland: characteristics, trends and policy challenges. Report No.1/2004. Copenhagen.

[7] COM (2006) 216 final.

[8] COUNCIL DECISION of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) (2006/144/EC) section 3.2.

An opportunity to plan how best to use the CAP to safeguard and support our rich heritage of HNV farmland biodiversity now presents itself as we enter the next period of rural development programming under the CAP for 2007-13, with the accession of Bulgaria and Romania to the EU on 1 January 2007, and work with the candidate countries preparing for accession.

What is meant by high nature value farming?

Definition and extent

There are three ways of defining HNV farming - by the characteristic vegetation and land cover typical of HNV areas, by the farming systems which created and maintain this land cover, and by the species of wild plants and animals which HNV farmland supports. The EEA uses the following definition which combines all three methods:

> *'those areas in Europe where agriculture is a major (usually the dominant) land use and where that agriculture supports, or is associated with, either a high species and habitat diversity or the presence of species of European conservation concern, or both' (Andersen et al. 2004)[9].*

It is important to note that HNV farming areas are independent of policy designations such as Natura 2000 (but may overlap with these areas). There is also a relationship between HNV farmland and traditional agricultural landscapes. Protecting traditional landscape features is a very important objective of HNV policy but this alone will not protect all the biodiversity values of these farming systems.

The importance of HNV farming in EU-10 and accession/ candidate countries

The three main types of HNV farmland are:

- farmland with a high proportion of semi-natural vegetation (e.g. heaths, dehesa and species rich grasslands);
- farmland dominated by low intensity agriculture or a mosaic of semi-natural and cultivated land and small-scale features (for example, dry arable areas and small scale mixed farms with features such as relict grassland, field boundaries, trees, ditches and fallow);
- farmland supporting rare species or a high proportion of European or World populations (for example, wet grasslands and similar habitats in Poland, Lithuania, Latvia and Estonia provide breeding sites for Corncrake). This third type of HNV farmland may overlap to a certain extent with the first two, but can also include more intensively managed land.

In most places, the highest farmland biodiversity coincides with low agricultural inputs, and biodiversity generally decreases when the intensity of farming increases. Extensive arable and livestock systems may both support high biodiversity, but the majority of HNV farmland consists of semi-natural grasslands. The share of semi-natural grasslands in the total area under permanent grasslands in the new Member States before accession ranged from 20% in Lithuania to 75% in Hungary, a far higher proportion than in the EU-15 Member States[10]. Reports on the semi-natural grasslands of Bulgaria, Estonia, Hungary, Latvia, Romania, Slovakia and Slovenia have already been published and will be followed by those for Lithuania, Croatia and Turkey[11]. Figure 1 shows the relative importance of semi-natural grassland within the farmland of some of these countries (1998 figures).

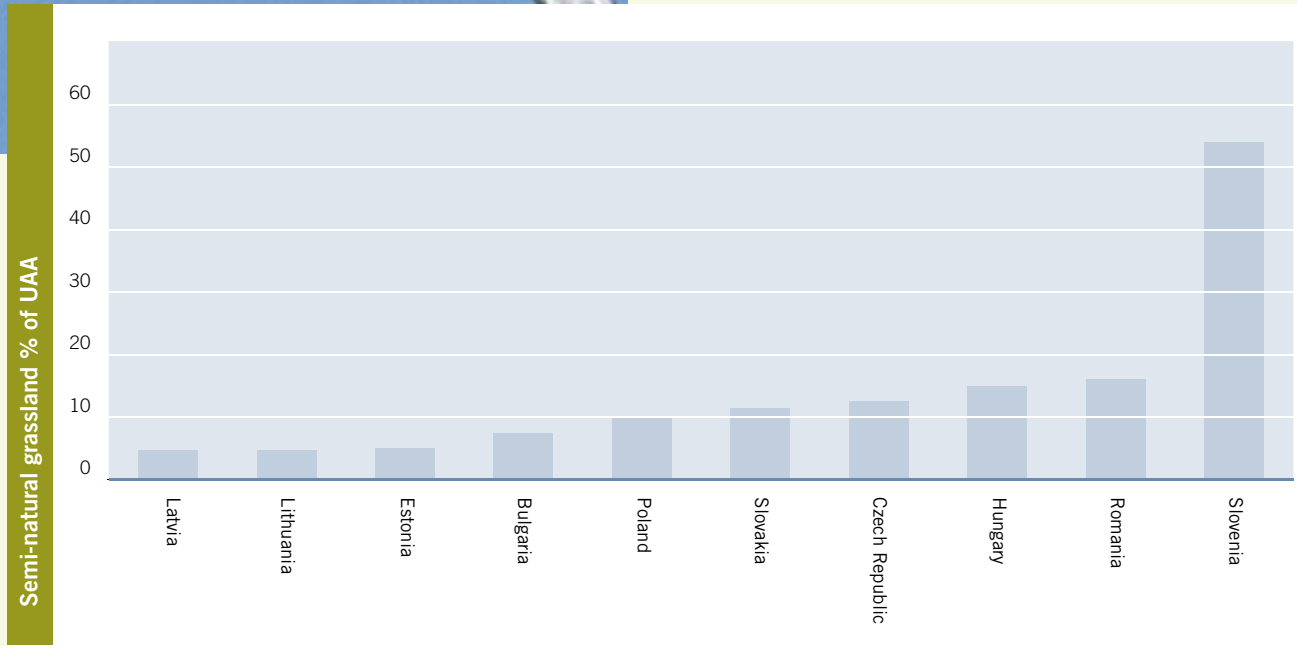
[9] European Environment Agency (2006) Background note for the JRC/EEA expert meetings on mapping HNV farmland in Europe quoting Anderson E. (ed.) (2004) Developing a high nature value farming area indicator. Internal report EEA Copenhagen.

[10] Veen, (2001) Interactions between agriculture, environment and nature. In: Brouwer, F.M., D. Baldock and C. la Chapelle (ed.), 2001. (High level Conference on EU Enlargement: The Relation between Agriculture and Nature Management, Wassenaar, 22-24 January 2001) quoted in Zellei A., (2003) The Necessity for Establishing a Strong Rural Development Policy in the Accession Countries (International Conference EU: CAP and Enlargement - an Opportunity for Nature and Environment, Potsdam 19-21 February 2003).

[11] These reports can be found at http://www.veenecology.nl

Semi-natural grasslands are of course important for their diversity of plant species. For example, 74 species per square metre have been found in one of Estonia's most species-rich wooded meadows[12], but they are also a source of food and shelter for invertebrates and other grassland animals, and are particularly important habitats for farmland birds. The new Member States hold the majority of the EU-25 population of globally threatened species such as Aquatic Warbler, Corncrake, Great Snipe and Imperial Eagle, and of other Annex 1 species in unfavourable population status such as White Stork, Lesser Spotted Eagle, Red-footed Falcon, White Stork and Roller[14]. There are also small areas of fairly intensively managed farmland supporting species of European conservation concern, such as migrating or wintering water birds.

Figure 1 Estimated distribution of semi-natural grasslands in central and eastern European countries as a proportion of utilised agricultural area in 1998



[12] (Vahenurme wooded meadow in Pärnu County) - see Veen P. (2001) Inventory of Semi-natural Grasslands In Estonia 1999-2001 Final Report. Estonian Fund For Nature and Royal Dutch Society For Nature Conservation. Tartu 2001. http://www.veenecology.nl

[13] Keenleyside C., et al (2006) Farmland birds and agri-environment schemes in the New Member States. A report for the Royal Society for the Protection of Birds. RSPB, Sandy, UK. http://www.birdlifecapcampaign.org/cap/

[14] Source: Table B3 in European Environment Agency (2004) High Nature Value Farmland: characteristics, trends and policy challenges. Report No.1/2004. Copenhagen. Original data derived from Veen et al., 2001 and FAOSTAT.

Threats to HNV Farming in the New Member States, and Candidate Countries

Why HNV farmland is threatened

There are three main threats to HNV farmland and farming systems: abandonment of all farming activities; intensification of agricultural management; and loss through change from agriculture to some other land use. These are discussed below but many are symptoms of deeper social and economic problems affecting HNV farming communities in several areas of the EU-10 Member States and the candidate countries. These problems include high levels of rural unemployment, loss of agricultural markets, poor working conditions in agriculture and lack of investment. Many HNV farmers are of an older generation who have accepted generally low living standards but are part of a strong rural culture. The next generation frequently seeks occupations offering greater financial rewards and shorter working hours, often in towns and cities. As a result of land restitution, new owners of land may be urban dwellers with no experience of, or particular interest in, farming.

Abandonment

During the 1990s, millions of hectares of farmland in most of the new Member States were abandoned as a result of the transition process. Data on abandonment of HNV farmland are difficult to obtain, but it is clear that the scale of land abandonment varied according to a range of local conditions, and covered different types of farmland, although much of it is grassland. In Estonia, for example, 60% of the high and medium value grasslands have been abandoned, a far higher proportion than for agricultural land generally. In the Baltic countries and Poland land abandonment is concentrated in regions where the productive capacity of soil is low on peaty or poor moraine soils. In central Europe, land abandonment is particularly concentrated on poor sandy soils in hilly regions and on wet soils in river valleys. In south Eastern Europe, land abandonment is found on the dry plains where the collapse of irrigation systems has resulted in the failure of crops. In the same region, land abandonment is also observed in mountainous areas where traditional pasturing has collapsed[15].

Much of the abandoned land had been grassland, and most of this land is likely to turn naturally into forest in the longer term. Abandonment of semi-natural grasslands, particularly species rich swards, generally has a negative impact on biodiversity, and vegetation succession also results in a structural change from an open to a closed landscape, which in turn has an impact on the fauna, for example, a decrease in habitat suitable for meadow birds. Where low-intensity arable land is abandoned there may be a loss of feeding places for wintering birds such as geese, and of breeding sites for birds of European importance, such as Corn Bunting and Ortolan Bunting. Other environmental effects of abandonment may include the loss of small scale mosaics of land use and their characteristic species, those of forest edge habitats, and a reduction in genetic diversity in both wild species and in local breeds of livestock or varieties of crops (which are often well adapted to semi-natural habitats).

Agricultural land abandonment can be permanent or transitional and may take different forms, including actual abandonment where the land is not used at all by the owner or occupier; and semi abandonment or hidden abandonment, where there is still some form of management, which might be simply to keep it available for future use or to claim a subsidy. Very extensive or intermittent farming operations may also fall into this 'hidden' category, for example on some subsistence farms, where extensive management is generally associated with very low or zero economic returns but can be of considerable conservation value[16]. The dramatic drop in

[15] Land Abandonment, Biodiversity and the CAP: land abandonment and biodiversity, in relation to the 1st and 2nd Pillars of the EU's Common Agricultural Policy; outcome of an international seminar in Sigulda, Latvia, 7-8 October 2004.

[16] Land Abandonment, Biodiversity and the CAP: land abandonment and biodiversity, in relation to the 1st and 2nd Pillars of the EU's Common Agricultural Policy; outcome of an international seminar in Sigulda, Latvia, 7-8 October 2004.

livestock numbers which accompanied the collapse of the Soviet system seems to have contributed to the semi-abandonment of large areas of semi-natural grazing land in central and eastern Europe, creating conditions where relatively small economic or social changes could tip the balance towards complete abandonment and permanent loss of these HNV areas. One of the main problems for livestock farmers has been the very low market prices for their produce, and many cattle were sold because the costs of keeping them were higher than the benefits. The European Environment Agency estimated that between 1990 and 2004, the number of livestock in most EU-10 countries fell by 50%, as illustrated in Figure 2[17].

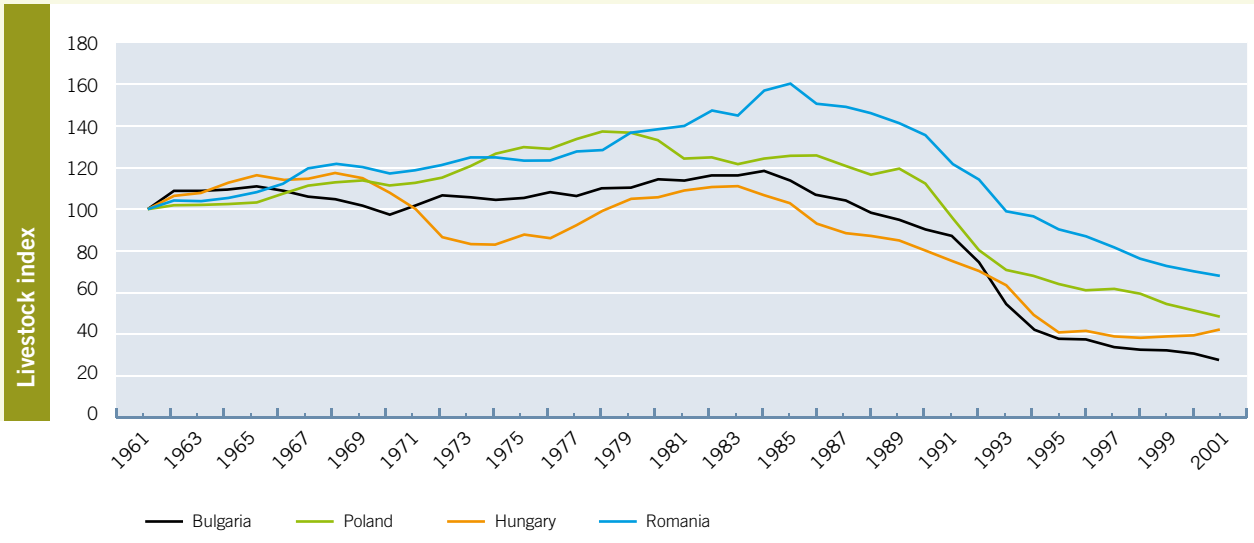
Estimates of the area of semi-natural grassland abandoned in a number of countries prior to the accession to the EU and the potential significance for important Bird Areas, which are key conservation sites, are shown in Figure 3.

Intensification and conversion of grassland to arable land

The term intensification covers a range of structural and management changes all aimed at increasing the productivity of the land and the farmed unit. Different farming systems and farmers will intensify production in different ways. A decisive factor in semi-natural grassland is the rise in fertiliser use. Intensification may also be accompanied by increased stocking rates, changes in drainage, conversion of grassland to arable, changes in field size and increased use of machinery and agrochemicals. Also relevant are changes in the areas of different crops and times of sowing and harvesting; the spread of monocultures; and the loss of small, non-farmed habitats such as uncultivated field margins, ponds and hedgerows.

These changes can have significant impacts on farmland species. An updated set of wild bird indicators for Europe shows that over the last twenty-five years, average common farmland birds have declined sharply in number while common generalist birds have increased. Evidence from other sources has shown that changing agricultural methods, especially increased specialisation and intensification, has driven the decline of farmland birds[19]. In Spain, a study comparing traditional agro-grazing systems with modern and intensive agriculture in pseudo-steppes found that both

Figure 2 Livestock index (cattle and sheep) in selected EU-10 and accession countries (Source: European Environment Agency, data from FAOSTAT 2001)



[17] European Environment Agency (2004) Agriculture and the environment in the EU accession countries: implications of applying the EU Common Agricultural Policy. Environmental issue report 37. Copenhagen.

[19] A Biodiversity Indicator For Europe: Wild Bird Indicator Update 2005 http://www.birdlife.org/news/pr/2005/06/european_indicators.html

agricultural intensification and marginal land abandonment (with subsequent scrubland invasion) have detrimental consequences for the Lesser Kestrel a globally vulnerable species[20]. A recent UK study[21] demonstrated that insecticide applications can depress breeding productivity of Yellowhammer a species in the Farmland Bird Index[22] (which the Commission has proposed as one of the common impact indicators for the 2007-13 rural development plans). The effects of intensification are not confined to birds. More than 90% of all European target butterfly species (as identified by Van Swaay and Warren (2003)) occur on farmland, mainly on extensive grasslands. The conservation status of farmland butterflies is generally negative throughout the EU-15 (with Spain and Greece positive exceptions) and some 43% of all agricultural prime butterfly areas experience negative impacts from intensification. Modifying intensification, by adapting integrated farming, for example, can reduce environmental pressure[23].

In Great Britain, a study of arable farming has concluded that biodiversity may benefit from integrated farming techniques but these need to incorporate environmental objectives explicitly, rather than as a fringe benefit[23].

Change to non-agricultural use

HNV farmland is often marginal and therefore of low market value, particularly if it has already been abandoned. The main threats are development (for infrastructure, housing or tourist developments) and afforestation. Currently the MCPFE[25] and PEBLDS[26] are jointly working on guidelines for afforestation in the context of the United Nations Framework Convention on Climate Change, taking into account the presence of high biodiversity values.

Figure 3 Estimate of the extent of abandoned semi-natural grasslands and Important Bird Areas in selected central and eastern European countries[18]

Country	Semi-natural grasslands (not including alpine grasslands) [1]	Abandoned semi-natural grasslands (idem) [2]	% of Important Bird Areas subject to land abandonment [3]
	'000ha	'000ha	%
Estonia	90	54	58
Latvia	17	10	26
Lithuania	168	101	32
Poland	1955	1000	31
Czech Republic	550	83	50
Slovakia	295	38	67
Hungary	850	85	53
Romania	2333	350	8
Bulgaria	444	67	9
Slovenia	268	40	57
Total	**6.970**	**1828 (26%)**	**(39%)**

Notes an data:
1) Based on national grassland inventory projects and Veen in Brouwer et al (2001)
2) Based on national grassland inventory projects, rdp ceecs and experts
3) Based on Petersen and Hoogeveen (2004)

[18] Source: Figure 3 in Land Abandonment, Biodiversity and the CAP: land abandonment and biodiversity, in relation to the 1st and 2nd Pillars of the EU's Common Agricultural Policy; outcome of an international seminar in Sigulda, Latvia, 7-8 October 2004

[27] COM(2005)628
[28] COM(2006)34
[29] European Commission Press Release (22 September 2006) entitled 'Renewable energy: Commission proposes to extend energy crop aid scheme to all Member States'. Available at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1243&format=HTML&aged=0&language=EN&guiLanguage=en

Bioenergy crops

The high price of oil and the need to reduce carbon emissions has led to increasing interest in bioenergy crops and biofuels in the EU. The expectation is that these will form a growing share of the EU's energy supply over the next 20 years and beyond. For example, the Biofuels Directive proposes that 5.75% of liquid transport fuels should be derived from biological sources by 2010. Member States have created targets of their own, and demand for biofuels is growing. Some crops, especially oilseed rape for biodiesel, are grown on set aside land. One of a number of policies to encourage this development was the introduction, in the 2003 reform, of a CAP energy crops scheme to encourage EU-15 farmers to grow energy crops on land not counted as set-aside. Some farmers will simply grow conventional crops for energy purposes (for example, cereals and oilseeds), but in the longer term specialist crops such as short rotation coppice and the high yielding grass Miscanthus are expected to become more popular. Annual payments for energy crops are made in addition to direct SPS support but farmers must either have a contract for the energy crops with an appropriate processing industry or have facilities to process the crops themselves.

In December 2005, the Commission launched its Biomass and Biofuels Action Plan[27], followed by a new Biomass Strategy in February 2006[28]. Against this background, the first report on the operation of the energy crops scheme (due to be submitted to the Council by the end of 2006) predicts that there will be a dramatic increase in demand for energy crops in the future.

The eight new Member States which apply the simplified Single Area Payment Scheme (SAPS) are not currently eligible for payments under the energy crop scheme (Malta and Slovenia are eligible for 'phasing-in' payments at 35 per cent of the full level in 2006/7). The Commission has recently proposed that the scheme should be extended to all Member States with an increase in eligible area from 1.5 million hectares to 2 million hectares, and Member States should be able to grant national aid of up to 50 per cent of establishment for multi-annual energy crops such as short rotation coppice and Miscanthus[29]. There are indications that energy crops will become a major land use in the EU and an attractive option for farmers in the newer Member States, who could become competitive suppliers as a result of lower labour costs and supportive CAP policies. There is some concern that HNV land may be converted to grow these crops, or to grow conventional arable crops if energy crops displace these from current arable land.

The environmental impact of bioenergy production depends to a large extent on the selection of areas used, the crops cultivated and the farming practice. Potential negative environmental pressures of bioenergy production include incentives to transform extensively used grassland, olive groves or dehesas, which are released from fodder production, into arable land for growing bioenergy crops. However, if HNV grasslands were protected from conversion to arable land for bioenergy crops, the mechanical removal of grassland biomass could replace both grazing and hay cutting on otherwise abandoned grasslands, recovering at least some of the costs of maintaining these areas[30], although the economic benefits on HNV land will be limited by the comparatively low productivity of semi-natural grasslands (less than 1 ton/hectare in some mountainous areas). The EEA estimates that cuttings from grasslands could contribute some 6-7% of the estimated overall agricultural potential for environmentally-compatible bioenergy production[31]. Further work may be needed to elucidate the extent to which management requirements for biomass production can be aligned with biodiversity requirements for habitat and species management (especially on fertiliser use and the frequency and timing of mowing).

[30] Currently a LIFE-project is exploring these possibilities in Poland.

[31] European Environment Agency (2006) How much bioenergy can Europe produce without harming the environment? EEA Report No 7/2006. Copenhagen. The environmentally-compatible potential of bioenergy is the quantity of primary biomass that is technically available for energy generation based on the assumption that no additional pressures on biodiversity, soil and water resources are exerted compared to a development without increased bioenergy production. The EEA scenario makes two important assumptions; that in 2030, at least 30 % of the agricultural land in most Member States is dedicated to 'environmentally oriented farming' (defined as HNV farmland or organic farming), and that extensively cultivated agricultural areas (for example, grassland or olive groves or 'dehesas') are maintained in their current use and are not planted with new energy crops.

Consequences for HNV farmland of full adoption of the CAP

Over a period of six to eight years from accession, the new Member States will be aligned with the full system of CAP support, which brings with it a changing policy context and new pressures on HNV land. This offers Member States the opportunity to put in place specific and timely safeguards to protect HNV farmland from abandonment and intensification driven directly or indirectly by some CAP policies. Such safeguards would help to protect against:

- farmers on HNV farms using higher levels of inputs such as fertilisers and pesticides, which they were unable to afford before accession; these will become more affordable as farm incomes rise with phased-in direct payments (SAPS and SPS);
- the conversion of HNV grassland to arable land, and the intensification of production on existing HNV arable land, for the purpose of growing new energy crops, if farmers find the extended energy payments or other incentives attractive;
- the effects of the disproportionate administrative burden placed on small mixed cropping and stocking farms by the need to comply with the 19 Statutory Management Requirements of cross compliance[32] when these become a condition of SAPS/SPS support in all EU-10[33]; the administrative burden may encourage small farmers with a few livestock to give them up;
- the possible destruction of HNV habitats and landscape features, as a consequence of using investment aid and other rural development measures under EAFRD to improve the competitiveness of HNV farming systems[34]. For example, in the Baltic region, re-instating neglected field drainage systems is reported to have had a damaging impact on wet grassland habitats important for Corncrake[35];
- the afforestation of HNV habitats using EAFRD Axis 2 support - this risk should be minimised if the Commission's Strategic Guidelines are followed (on using Axis 2 to support HNV farming).

Designated Natura 2000 sites should be protected from intensification or change of use when all the national legislation implementing SACs and SPAs is in place but this may not happen for several years, and the large areas of other HNV farmland outside the Natura network may have little protection unless they lie within other designated landscape or nature areas with legislation placing restrictions on farmers.

Impact of Pillar 1 Measures on the Agricultural Management of HNV Farmland

This section reviews the potential impact (positive and negative) on biodiversity and HNV farmland in the EU-25 of the following CAP Pillar 1 measures:

- Pillar 1 direct payments - decoupled and coupled;
- Pillar 1 Good Agricultural and Environmental Condition (GAEC) in EU-25; and
- the protection of permanent grassland using Pillar 1.

Pillar 1 direct payments - decoupled and coupled

Pillar 1 direct support payments to farmers are relevant to biodiversity management for several reasons. They can protect the land from abandonment or conversion to non-agricultural use; offer a basic level of protection for some habitat features; and some (but not all) Member States have the opportunity to 'couple' Pillar 1 payments to specific types of production.

Decoupled and partially decoupled payments in EU-15

Council Regulation 1782/2003 introduced a radical reform of Pillar 1 payments previously coupled to production in the EU-15 Member States, with the introduction of the Single Payment Scheme (SPS), to be implemented during 2005-2007. Member States could choose to:

[32] Article 4 and Annex III of Regulation 1782/2003.

[33] Under the provisions of Council Decision 2004/281/EC, SMR cross compliance is optional for the eight new Member States implementing SAPS until the end of 2008.

[34] The purpose of Axis 1 funding is to improve the competitiveness of the agriculture and forestry sector and payments can be made for modernisation of farms - for example, improvements to structure, drainage, access roads and buildings.

[35] Keenleyside C., et al (2006) Farmland birds and agri-environment schemes in the New Member States. A report for the Royal Society for the Protection of Birds. RSPB, Sandy, UK. http://www.birdlifecapcampaign.org/cap/

- fully decouple their Pillar 1 payments from production and pay these as a per hectare payment to all qualifying farmers[36]; or
- decouple some payments and convert them to area payments as above, but choose to leave other payments (a proportion of those in the arable, beef and sheep and goat sectors) as coupled payments; where these livestock payments remain coupled it is usually in the form of a headage payment;
- make additional payments (under Article 69), using up to 10% of the total SPS in a particular sector, to encourage specific types of farming which are important for the environment, quality production and marketing; these are sometimes known as 'national envelopes'.

Member States had a further two options of paying decoupled payments either:

- 'regionally' as the same flat rate per hectare for all farmers (this rate can differ from one region to another, between grassland and other land, or between permanent grassland and other land); it may be phased in, to reduce hardship; or
- 'historically' as a flat rate per hectare which differs from farm to farm because it is calculated by dividing the previous total subsidy payments for that farm by the number of eligible hectares on the farm.

There is no requirement to farm the land under the SPS, but recipients must implement a range of cross compliance requirements (see 3.2 below).

The wide range of SPS options adopted by the EU-15 Member States is shown in the table in Annex 1. Only four have chosen full decoupling - Germany, Ireland, Luxembourg and the UK. Most of the others have opted to keep partial coupling for some livestock sectors, and seven have used the 'national envelope' option - Finland, Greece, Italy, Portugal, Spain, Sweden and the UK (Scotland, see box). Most of the 'national envelopes' apply to the beef, sheep or goat sectors but the extent to which they address environmental priorities is not yet clear.

Coupled livestock payments in Spain

Spain introduced the SPS in 2006 with maximum permitted coupling in all sectors - 100 per cent for suckler beef, and 50 per cent for sheep and goat payments. National envelope payments under Article 69 have not been used for livestock in Spain, only for cotton and tobacco.

Suckler beef is in little danger of abandonment, even without coupled payments. The herds are often quite large, raised on privately owned estates and make a reasonable profit. Even in mountain areas, where farmers keep a few suckler cows on common grazings, the labour input is low and calves fetch a good price (some farmers even keep cows without rights to the CAP payment).

Sheep and goats are much less profitable than suckler beef and are more labour intensive, as in most areas they must be shepherded. Despite this difference, the historic CAP support for sheep and goats (in terms of euros per LU) has always been much lower than that for suckler beef. Partly as a consequence, there has been a strong tendency for sheep and goats to be replaced by beef cattle, and in some cases negative environmental effects are reported, especially on mountain grazing where the cattle are unshepherded and tend to concentrate on the best grass, causing local overgrazing and allowing scrub invasion elsewhere.

With only 50 percent coupling of sheep and goat payments there is likely to be an accelerated abandonment of more remote mountain grasslands used by sheep and goats, and also of local common grazings in some lowland areas. In many cases, these grasslands are not suitable for unshepherded cows, so they will scrub over, and the fire risk will increase[37].

[36] Dairy payments will be included in the single payment from 2008 and additional special arrangements apply for other products, such as rice, durum wheat, starch or dried fodder.

[37] Beaufoy G. (pers comm.) 2007

Of the new Member States, only Malta and Slovenia have chosen to implement the SPS from 2007, as they already had programmes and procedures in place that closely resembled the CAP direct aid system.

Decoupled payments in the new Member States
Since accession in 2004, eligible farmers in the other eight new Member States have received a flat rate payment per hectare under the fully decoupled Single Area Payment Scheme (SAPS). The SAPS payments are being phased in over a period of 7-10 years, but if Member States choose to 'top-up' the SAPS payments with national funding, farmers will receive the full rate by 2010 (instead of 2013). National 'top-up' also offers Member States limited, temporary coupling options (see below).

Unlike the SPS scheme used in the EU-15, SAPS payments must be completely decoupled from production and cannot be differentiated by type of land. All farmers receive the same annual payment per hectare, and there is no option to differentiate these payments in favour of small farms. Like EU-15 farmers, all farmers receiving SAPS must observe GAEC cross compliance requirements (the SMR cross compliance requirements are optional under SAPS, until at least 2009. See 3.2 below).

It was intended that by the end of 2008 at the latest, the new Member States would have to move from SAPS to the 'regionalised' version of the Single Payment Scheme now operating in the EU-15; this is also fully decoupled but does have some limited options for varying payment rates. However it is reported that Commissioner Fischer Boel recently confirmed that SAPS is likely to be extended until 2010 and any further extension would depend on what happens in the 2008 CAP "Health Check". She has previously indicated that a flat-rate scheme similar to SAPS might even be extended to the rest of the EU after 2013[38]. Following accession, Bulgaria and Romania have a phased-in SPS system, with optional national top-ups similar to that in the EU-8.

An option for coupled national payments alongside SAPS
Member States choosing to top-up SAPS with national payments can simply add the national funding to the total SAPS budget, increasing the flat rate payment to all farmers, or they can use the national element to support particular sectors. This is the only possibility of using coupled payments in the EU-8, Bulgaria and Romania, and these payments may be headage or area payments. However this flexibility is only a temporary option - if Member States choose to use coupled national payments these must cease when the phased-in SAPS / national top-up reaches the full EU rate (in 2010 or 2013).

A coupled SPS payment under Article 69 for extensive cattle systems in Scotland

Within the Single Farm Payment scheme in the UK, Article 69 sets out coupled national payment for beef calves in Scotland. This is designed to support the supply of quality Scotch beef and to protect the traditional suckler beef systems on semi-natural grazing land, which were threatened by the decoupling of earlier support payments with the advent of SPS. Farmers claim a headage payment for every beef calf born on the farm and kept there continuously from birth for at least 30 days. The payment rate per calf varies from year to year depending on the total number of eligible calves claimed in Scotland each year. A higher rate per calf is paid for the first ten calves on each farm, as a way of supporting small traditional producers on HNV land in the remote areas of northern and western Scotland.

[38] Source: AgraEurope Weekly, 24 November 2006 Issue AE2235

Pillar 1 Good Agricultural and Environmental Condition (GAEC) in EU-25

Council Regulation 1782/2003 (Articles 4 and 5 and Annexes III and IV) specifies cross compliance requirements which must be observed by recipients of Pillar 1 payments. Failure to do so results in financial penalties. There are two groups of requirements;

- compliance with national Statutory Management Requirements (SMR) derived from 19 European Regulations is obligatory under SPS but not under SAPS (i.e. not yet in eight of the New Member States)
- compliance with Good Agricultural and Environmental Condition (GAEC) on the whole farm, by farmers receiving SPS or SAPS (i.e. all EU-25 farmers receiving Pillar 1 support). GAEC is defined by Member States, within a framework set by the Regulation (see box).

From 2007, throughout the EU, GAEC will also be mandatory on the whole farm for all recipients of agri-environment and some other Axis 2 payments[39], whether or not they receive Pillar 1 payments. GAEC will also be an important part of the baseline requirements for calculating agri-environment payments[40].

Most Member States have defined a standard for annual mowing (or grazing) as the minimum level of habitat protection under GAEC, but not all HNV land has been registered for Pillar 1 payments and the requirement to demonstrate that the land was in GAEC in 2003 unfortunately may deter HNV farmers from reclaiming long abandoned land.

EU framework for Member States to use in defining GAEC

Issue	Standards
Soil erosion: Protect soil through appropriate measures	• Minimum soil cover • Minimum land management reflecting site-specific conditions • Retain terraces
Soil organic matter: Maintain soil organic matter levels through appropriate practices	• Standards for crop rotations where applicable • Arable stubble management
Soil structure: Maintain soil structure through appropriate measures	• Appropriate machinery use
Minimum level of maintenance: Ensure a minimum level of maintenance and avoid the deterioration of habitats	• Minimum livestock stocking rates or/and appropriate regimes • Protection of permanent pasture • Retention of landscape features • Avoiding the encroachment of unwanted vegetation on agricultural land

[39] Axis 2 support for agri-environment, forest-environment, Natura 2000, afforestation of farmland or meeting animal welfare standards

[40] Agri-environment payments may cover only those commitments going beyond the relevant mandatory standards established pursuant to Regulation (EC) No 1782/2003 as well as minimum requirements for fertiliser and plant protection product use and other relevant mandatory requirements established by national legislation and identified in the rural development programme.

GAEC allows Member States to require the retention (but not specifically the management and replacement) of landscape features. The implementing Regulation now makes it clear that if features have to be protected under the national definition of GAEC, the land they occupy does qualify for SAPS/SPS payment[41]. This should convey the message to farmers that landscape features are not a financial liability (in the sense of potentially reducing their entitlement to Pillar 1 payments). GAEC does offer the opportunity to protect landscape features from removal or deliberate damage, but GAEC standards for HNV farms (for example, on latest dates for mowing) may need to be different from those for conventional farms. It is important to remember that these are baseline standards implemented by penalties rather than incentives, and cannot meet all landscape management needs.

Using Pillar 1 to protect permanent grassland in EU-25

Member States are required to ensure that land which was under permanent pasture on a specific date is maintained under permanent pasture (the dates are 1 May 2004 for EU-10, in 2003 for EU-15). Member States can choose not to apply this at a farm or parcel level, but regionally or nationally instead, provided they prevent any significant decrease in the total permanent pasture area of the Member State[42]. This could be an important tool, capable of providing semi-natural and other relevant grasslands with a significant level of protection from conversion to arable land or to perennial energy crops, but in practice, most Member States have applied it only generally, at country level. As a result, some HNV grasslands have already been converted and more are threatened, particularly those outside Natura 2000 areas. This cross compliance requirement would be more effective if applied at farm level to protect HNV grasslands from conversion, rather than regionally or nationally.

Discussion of the impact of Pillar 1 on HNV farmland

The combination of SAPS payments and GAEC is likely to ensure that registered HNV land is not completely abandoned or converted to other uses, and this 'protective' effect can be expected to have increasing leverage as the SAPS/SPS payment rates rise to the EU maximum. However this will not ensure environmentally sensitive management of HNV land - it could be converted to intensive arable or grassland management, or energy crops, particularly if machinery, fertilisers and pesticides become more affordable as a result of new support payments or better market returns. The effects of SAPS on farmers' choice of crops and stock is very difficult to predict but most observers suggest that there will be little overall increase in cattle numbers from the relatively low levels at accession; intensive beef production may increase in some areas and milk yield per cow is likely to rise sharply. Wheat and maize production is expected to increase, rye and fallow to decline. Energy crops are likely to become more attractive. None of these changes favour extensive grazing management of HNV land.

Most Member States do not appear to have used the potential for setting GAEC standards to differentiate basic maintenance requirements for HNV land, although some may use this flexibility to a limited extent (for example, the Czech Republic was reported to be considering proposals that GAEC should require 'middle outwards' or 'side to side' mowing methods for grassland to protect ground nesting birds and small mammals). In other cases, the dates specified for mowing appear to be quite early if the purpose is simply to avoid habitat deterioration.

It is important that both agricultural authorities and farmers should understand that GAEC requirements do not inhibit the use of habitat specific agri-environment prescriptions, where these differ from the GAEC standard. In such cases derogation may be used and the farmer will not be penalised.

[41] Article 51 of Regulation 1698/2005 and Annex IV of Regulation 1782/2003

[42] Regulation 1782/2003, Article 5.

GAEC should be seen as a safety mechanism limiting the risk of damage caused by poor management. It operates through penalties and cannot provide an incentive for additional action beyond that required by the standard. Achievement of the basic GAEC standard will inevitably be incomplete because some farmers will choose not to claim SAPS or Axis 2 payments, and others will claim but choose to take the risk that non-compliance will go unnoticed, particularly when payment rates are low, and when many inspectors are unable to identify correctly 'unwanted vegetation'.

Supporting Biodiversity-Sensitive Management of HNV Farmland

A number of measures which EU Member States can adopt to support appropriate farm management and rural development are summarised in this section. Most are measures within the CAP that can be cofinanced at 75 or 80 % by the new European Agricultural Fund for Rural Development. Under the current EAFRD rural development regulation these measures are divided into 3 "Axes" (see list of abbreviations).

Payments in areas with handicaps (formerly Less Favoured Area payments)

This support is a per hectare annual payment to compensate farmers for the natural handicaps of farming in:

i) mountains; or
ii) areas with handicaps such as poor soils and climate where maintaining extensive farming is important for management of the land; or
iii) areas affected by specific handicaps, and where land management should be continued in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area or in order to protect the coastline (these areas cannot extend to more than 10% of the area of the Member State).

Because these payments are based on natural handicaps there is scope to differentiate the payments according to the nature and severity of the natural handicap, which may correspond reasonably well with particular extensive methods of farming. Most HNV farming areas are likely to meet at least one of the above criteria and many already receive LFA payments, which are reported to have protected land in the new Member States from abandonment, (although some environmental commentators note that opportunities have been missed to gain 'environmental value for money'). Despite the Commission's guidelines for using Axis 2 to support biodiversity and management of HNV land, and the references in the 2006 EU Action Plan[43] to Member States taking action to make LFA regimes more friendly to biodiversity, few authorities appear to have plans to differentiate these 'handicap' payments in favour of HNV areas. This appears to be a missed opportunity.

There are concerns in some countries about the future of HNV areas previously used for extensive livestock production because of the lack of good market outlets and generally low prices. As a means of providing basic support for low-input farming in these and other HNV areas, LFA/handicap payments seem to offer more flexibility then SAPS. For example they can:

[43] COM (2006) 216 final and SEC(2006) 621 Commission Staff Working Document: Annexes to the Communication from the Commission halting the loss of biodiversity by 2010 — and beyond; sustaining ecosystem services for human well–being {COM(2006)216 final} Technical Annex

- have specific environmental objectives and conditions attached;
- be limited to certain forms of production (for example, to exclude intensive crop production);
- offer higher payment rates per hectare for small farms (depending on the size threshold set by Member States); and
- be highly differentiated to reflect the range of handicaps faced by different farm types and the location of farm.

Using LFA payments as an incentive for HNV management of farmland

In Wales (UK) farmers get a 10% increase in LFA payments if they meet one criterion from the following list, and 20% extra if they meet two. (Note that family farms in Wales are large compared to eastern Europe - an average of about 50 hectares excluding common grazing areas - and that semi-natural woodland is scarce and at risk of damage from sheep grazing).

- at least one breeding cow for every 30 ewes
- registered for organic production with the designated UK authority
- two per cent or more of the land (and at least one hectare) under arable crops, root crops and field horticultural crops (excluding maize and grass ley)
- stocking density no more than 1.2 livestock units per hectare
- where the farmer has common grazing rights, if he and the other graziers remove all stock from the common land for 3 months in the winter
- two per cent or more of the land (and at least one hectare) is deciduous woodland that is fenced and managed so that access for grazing may be permitted
- the farm is registered under an approved farm assurance scheme for beef or sheep.

(Source: The Tir Mynydd (Wales) Regulations 2001 No. 496 (W. 23)

Organic farming and conservation of genetic resources

Support is available for organic farming, and there are opportunities for more HNV farms to be converted to organic. Many HNV farms are producing more or less to organic standards already, and EAFRD support for organic farming would enable them to continue benefiting biodiversity and also offer an opportunity to add value to their produce (provided other measures are in place, see 4.6 below).

Local breeds and local varieties of crops are so well adapted to the soil/climatic conditions that they can be considered an integral part of the agricultural biotope. Supporting their continued use, through the genetic resources measure, could benefit the overall biodiversity value of the system and help HNV farmers to resist pressures to increase productivity by changing to more modern stock or crops.

Agri-environment payments

Agri-environment support is the only compulsory element of RDPs and payments can be designed to fit most habitat and species management requirements. They can have a dual role: (a) promoting biodiversity-sensitive management and (b) supporting the farmer's income and thereby the viability and chances of survival of the farming unit, although within the limits of 'cost incurred + income foregone + transaction costs'.

Several EU-10 Member States designed agri-environment measures targeted at specific habitats and species of HNV farmland for their 2004-06 programmes but not all were successful, for a variety of reasons (including lack of funding and advisory capacity). Agri-environment schemes cannot, under EU rules, pay on the basis of environmental outcomes but instead must specify management prescriptions. Doing so effectively for HNV management relies on an in-depth understanding of the farming systems and their ecological impact. This expertise may be found in MoE agencies and

NGOs (and of course among the farmers themselves) but they are not always involved in the design of schemes. Where they are involved, the results are often good (for example in the Czech Republic, an agri-environment measure to protect Corncrake is based on the long-term work of the Expert Corncrake Group of the Czech Society for Ornithology).

"Non-productive" investments

It is often the case that farmers cannot implement annual agri-environment management requirements without first investing time and effort in preparing the land, for example, clearing scrub from unused land or providing water supplies and fencing for the re-introduction of livestock grazing. "Non-productive" (i.e. often environmental) investment support was introduced to deal with these 'front-end loaded' costs, and this support could be particularly appropriate in EU-10 and accession countries for habitat restoration (scrub clearance), habitat improvement (blocking drains to recreate wet grassland) and creation of features to benefit particular species (for example, small ponds for amphibian food for White Stork, perching poles for raptors).

Natura 2000 compensation payments

These offer the opportunity to compensate farmers for the disadvantages of farming under the restrictions imposed by Natura 2000 designations (only 35 per cent of the Natura 2000 sites in the EU-15 Member States is agricultural land[44]). Several Member States have already used similar provisions under Article 16 of Council Regulation 1257/1999 (for example, in Belgium and the Czech Republic to compensate for restrictions on fertiliser use, and in Lithuania, to compensate for retention and late mowing of grasslands). In Member States where the national Natura 2000 legislation places specific legal obligations on the farmer, this is a potentially useful means of supporting the protection of HNV farmland from conversion or improvement, and would seem to be a more versatile tool than GAEC for protecting specific landscape structure and features. However there are significant limitations on the use of this measure in the early years of accession, and probably at least two thirds of HNV farmland in the EU-25 will not be designated as Natura 2000. In two new Member States, the designation of Natura 2000 sites on farmland has been delayed, in part by local resistance based on concerns about limiting property rights. Although the other eight new Member States have made excellent progress with designation, Natura 2000 payments cannot be made to farmers until the relevant national legislation is in place. In the case of SACs this could theoretically be as late as six years after the date of the Commission decision adopting the site, the time frame for SPAs is much shorter[45].

It is not clear to what extent this measure will be able to secure active habitat management, rather than just restrict management options. Although national legislation should, in theory, be applied by farmers irrespective of the availability of compensatory payments, these could be expected to improve compliance. Unlike agri-environment payments there is no element of transaction costs in the Natura 2000 payment calculation, but this may make a difference only where farmers have to keep detailed records, for example of fertiliser applications or grazing dates and stocking densities.

Agri-environment schemes will thus continue to play an important role in supporting the positive management and improvement of Natura 2000 farmland habitats. Where designation is not complete or Natura 2000 regulations are not in place at the beginning of the 2007-13 programme, agri-environment schemes will initially have to cover both protective and management roles.

[44] EEA Report No. 5/2006 Progress towards halting the loss of biodiversity by 2010.

[45] DG Agriculture points out that there are two key principles to bear in mind when implementing national legislation in relation to Natura 2000 sites:

Axis 3 offers a measure to fund the preparation of management plans for both Natura 2000 and HNV areas. The latter could be particularly useful as a means of identifying the support needs of HNV farming systems outside Natura 2000 areas.

Securing the economic viability of HNV farms

The Axis 1 measure for the restructuring of semi-subsistence farms is targeted at improving the competitiveness of small farms in the EU-10, and is 'designed to provide transitional income support to farm households during a period of intensive restructuring and investment, targeted on farms of 3-15 hectares which can demonstrate that they will achieve economic viability and EU standards (quality, food safety, environment etc.) through a business plan. Flat rate payment of a maximum of € 1000 per farm per year'[46]. Many Member States apply this measure but it is unclear whether there is any positive effect on HNV farming systems. There is a risk that the 'intensive restructuring and investment' needed to achieve economic viability and meet EU standards could result in changing an existing HNV farming system into a high yielding farming system, with a consequent loss of biodiversity value.

Developing the skills and capacity of farmers and their families

The enormous changes in rural society and agriculture which accompanied independence in the EU-10 left many small farmers without either paid employment or a market structure for their own produce as the state and collective farm systems and market structures collapsed. Farmers of HNV land are often older, poorer and have a lower standard of education than other farmers and are less likely to be able to attempt to influence political decisions, for example, on the allocation of EAFRD funding. Although HNV farms may be rich in biodiversity, use few agro-chemicals and meet organic production requirements, they may not meet EU standards, for example on run-off from uncovered manure storage, tethering cattle or bacterial contamination of milk. There is a need to provide these farmers with the skills and capacity to help themselves, and enable them to find markets for their produce.

Farm advisory and extension services for Bulgaria and Romania

There is a new CAP measure to fund the provision of advisory services for farmers in Bulgaria and Romania. Key features include:

- Support is provided via advisory service organisations, not by reimbursing individual farmers;
- Advice can cover the broad scope of business plans, agri-environment, completing application forms, etc, and is not conditional on inclusion of a "farm audit" or other cross compliance related advice;
- There is no upper limit on the value of advisory services that can be provided to any individual farm business;
- Advice can be subsidised to any degree, even provided completely free to the end-user.

There are several options within Axis 1 of EAFRD for promoting knowledge and improving human potential. Support for **vocational training** and for **farmers' use of advisory services** might be used to develop training and advisory modules specifically for HNV farmers to help them bring their produce up to marketable quality, and to comply with EU regulations without damaging biodiversity[47]. Axis 1 also offers a wide range of **investment support** to help HNV farmers to add value to their produce, covering both tangible (for example, buildings and equipment) and intangible investments (for example, specialist advice, market research). These may be used to meet EU standards, improve the performance of their enterprise and to develop new products,

[46] Source: presentation by Jean-Michel Courades, DG Agri, Sofia, 15 March 2004

[47] Advice has to be used for 'the overall improvement of their holding' and at a minimum must cover cross compliance (both SMR and GAEC) and occupational safety.

processes and technologies. This measure could cover, for example, the purchase of small mowing machinery to replace hand mowing of species rich grassland, and processing of the cut grass as biofuel. Axis 1 also offers support for **producer groups** under the food quality scheme, which could assist with the development of small scale farmers' markets.

Improving the farm family income in other ways may relieve the economic pressure on HNV farms to convert to more intensive farming systems and also encourage young people to remain in the area. Axis 3 offers support for **diversification into non-agricultural activities** (for example, green tourism) and **setting-up micro-businesses** (for example, contracting, processing packaging and marketing produce from a group of farms).

Early retirement and young farmers

A change in ownership of farms, particularly a generational change, may often be accompanied by changes to land management or farming systems. Many new Member States will use support for early retirement and setting up young farmers as an aid to revitalising rural communities, perhaps in combination with investment for restructuring. Experience in the EU-15 has shown that when setting up new enterprises on HNV land it is important that the farmer and his advisers understand how intensification puts at risk not just the environmental but also the economic benefits of retaining low-intensity management for biodiversity, for example, opportunities for Natura 2000 compensation, agri-environment and organic farming payments.

Long distance transhumance in the Romanian Carpathians - an HNV system in decline

In Romania, only 5% of the national sheep flock is found on state owned farms, while subsistence farmers own 6.3 million sheep, with an average of less than 20 sheep and one or two cows per farmer, on 2-3 hectares of land which is mostly managed for hay, (traditional hand cutting and few mechanical or chemical inputs). Each spring, professional shepherds gather the sheep into large flocks and take them to the high summer pastures 10-50 km away. The farmers pay a grazing tax on each of their animals to a shepherd camp organiser who then uses the money to pay rent on the pasture and the wages of the shepherds. Cheese is the main source of income for the shepherds but a certain percentage is returned to the farmers. This system has maintained exceptionally high nature value habitats and beautiful cultural landscapes but it is an arduous way of life with very high labour inputs producing cheese that would probably not meet EU hygiene regulations. Few shepherds now undertake long-distance transhumance and sheep numbers are declining at 2% a year (2001 figures).

Source Huband S. (La Canada No.25 and pers. comm.)

Securing the future of rural communities in HNV farming areas

HNV farms are usually labour intensive, may be small, and in the past may have been the basis of the local community. As the new Member States take advantage of EU membership and a growing economy, young people are more likely to move to towns and cities, threatening the survival of many small rural communities. If HNV farming is to be socially viable in the longer term, it will be important to address the needs of these rural communities, to provide a better quality of life and more employment opportunities for the next generation of HNV farmers and their families. This will require investment in basic services, transport, schools and new rural industries. For example, in Poland, owners of agricultural holdings with more than two hectares of land cannot be registered as unemployed and, according to the estimates, about one million individual farmers cannot find a job and are referred to as the hidden unemployed, while almost 70% of people have part-time employment[48]. Farmers who use land they do not own are at risk of missing CAP support altogether. For example, in Romania, land has been bought up by Western European firms in expectation of claiming SAPS support from 2007[49].

Axis 3 of EAFRD offers a range of investment and other support for improving basic services, village renewal and development, conservation and upgrading the rural heritage, encouragement of tourism, developing small businesses, and training and information for economically active people. Perhaps most importantly, there is the opportunity for communities to put together packages of Axis 3 measures to address their particular needs in the form of a local development plan, with EAFRD support for animators to help them to prepare and implement the plan.

Using the Leader approach in HNV farming areas

Leader is a tool which local communities or areas can use to put together a co-ordinated programme of measures from all three axes of EAFRD, plus new measures if these are needed, to meet their particular needs (see box for description of the Leader approach). This means that a single package of Pillar 2 support could be designed for an HNV farming area, starting from its environmental, economic and social needs. This has the potential to be far more effective than the most carefully 'patched together' support using many different schemes and measures. For example, LFA and agri-environment measures could be offered to farmers in combination with support for organic farming of local breeds, and farm families or other local entrepreneurs could be helped to set up processing and marketing facilities and to develop local tourism based on the HNV landscape.

Some EU-15 Member States, for example, have made extensive use of previous Leader schemes for rural development (for example, the Netherlands and the UK) and have found that Leader works best when there is an existing local institution to steer and animate the project. In HNV areas this might be a National Park authority, an NGO or a local farmers' organisation as many environmental organisations are already informally involved in designing and delivering agri-environment schemes in HNV areas.

[48] Rural Development Plan For Poland 2004 - 2006.

[49] Venn P. (pers comm.)

Characteristics of the Leader approach[50]

- The area-based approach: Local actors work with assets and resources which are unique to a specific area. A sense of belonging, the thickness and intensity of social relationships, and a shared vision for a common future offer a foundation from which new approaches to development can be experimented with.
- The bottom-up approach: The strategy is based on an in-depth assessment of local needs, achieved by inviting local citizens, associations and stakeholders to participate in the planning, implementation and evaluation phases. The approach ensures that the initiative can reach out to parts of the territory which do not achieve support from mainstream programmes.
- The partnership approach: The central pillar of the initiative is a local partnership which takes responsibility for the development of its area. The partners should represent the population and the range of interests including public bodies, private enterprises and civic associations. It should be able to manage funds responsibly.
- The innovative approach: Innovation in this sense should take account of the specific situation and needs of the area, emphasise uniqueness and diversity, and not serve as a pretext for adaptation to global technological standards.
- Multi-sectoral integration: The area-based approach and the local partnership result in an enhanced capability to draw local strengths into value-added chains straddling different sectors of the economy, taking into account environmental preservation, encouraging cultural initiatives and involving support structures of governance, finance, education and social integration. This occurs both at the level of individual projects and of the overarching strategy.
- Networking: Networking affords the exchange of information through national and European channels, linking local actors to other partners to develop new marketing channels, bringing in knowledge and technology, or achieving critical thresholds for accessing specialised services such as research, design and promotion.

Non-CAP funding sources

LIFE is the EU's only dedicated environment fund and has already supported management of some HNV farmland, but it is not yet clear how much of the LIFE+ fund, due to be introduced after 2006, will be allocated to site management, and to what extent Member States will control the funding. The scale of support in terms of area covered is likely to remain much more limited than that of EAFRD.

A Possible Framework of CAP Support for HNV Farming

Policy priorities for HNV farming at EU and Member State level

Securing the long term biodiversity benefits of HNV farming systems will be one of the greatest challenges for the 2007-13 rural development programmes, because these farming systems are based on complex patterns of land ownership and use, farm management and cropping systems, and are threatened by many different pressures. The long term solution to the environmental threat posed by the decline in HNV farming requires action to deal with the social and economic problems of these farming systems in parallel with support for their environmental management. There is an urgent need to consider and address the causes of the decline in HNV farming, as well as to put measures in place to deal with the environmental symptoms of this decline.

[50] Edited from Lukesch R (2000) quoted in Swales V, Keenleyside C, Farmer M, Slee, B & Dwyer J (2006) The Environmental Contribution of Leader+ in the UK. A report for the Land Use Policy Group SNH, Inverness. IEEP: London.

The EAFRD is intended to provide a simpler framework for rural development, focusing on commonly agreed EU priorities, while leaving sufficient programming flexibility for the Member States (but with increased accountability at EU, national and regional level). The Commission's Strategic Guidelines for the 2007-13 rural development plans state that:

> *'… the resources devoted to Axis 2 should contribute to three EU-level priority areas: biodiversity and the preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes; water; and climate change.'*[51].

The ex-ante evaluation of rural development programmes is required, inter alia, to identify and appraise 'the extent to which the Community's priorities have been taken into account'[52], and Member States will have to undertake a Strategic Environmental Assessment[53] of all Rural Development Plans to ensure that these contribute to the level of environmental protection now expected of EU funding programmes.

This guidance should be helpful where it is used to afford high priority both to the survival of HNV farming systems and to specific biodiversity management in designing and funding schemes for agri-environment, LFA, Natura 2000 and non-productive investments. However, Axis 2 payments on their own are unlikely to be adequate to resist the powerful social, economic and policy pressures facing existing or recently abandoned HNV farming systems in the EU-10 and candidate countries.

The scale of the rural problems in the EU-10 has been recognised by the proportionally large EAFRD budget allocations to the new Member States, relative to their proportion of the EU utilised agricultural area, as shown in Figure 4.

Of course, a relatively large EAFRD budget does not mean that priority will be given to HNV farms, or that these will necessarily be protected from intensification, but it does at least offer Member States an opportunity to address all three priorities - social, economic and environmental - rather than be forced to choose between them.

The need for a coherent framework across both Pillars of the CAP

In responding to the Commission's EAFRD Guidelines, Governments may wish to develop a framework of support to deal with the deep seated problems of HNV farming systems. Such a framework of CAP support for HNV farming would need suitable aims and objectives, for example:

- one aim of government intervention could be the effective long term delivery of the full range of environmental and biodiversity benefits characteristic of a particular HNV farming system; and
- the priority for CAP funding in HNV areas could be to support local communities, land owners and farmers in delivering this management during and beyond the current period of adaptation of the agricultural sector and improvement of the rural economy.

Both these aims are consistent with the Commission's guidelines for rural development using EAFRD, but putting them into practice would require a much more integrated approach to support for HNV areas than has been utilised in most countries hitherto. This will be a challenge for most Member States, not just the EU-10, as there are few reference points to build upon.

It is clear that there already exists a wide range of possible support measures, particularly in Pillar 2, which are sufficiently flexible to be adapted to support the particular needs of HNV farming systems and the rural communities on which they depend. It is important to guard against three potential

[51] COUNCIL DECISION of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) (2006/144/EC)

[52] Article 85 of Regulation 1698/2005

[53] In accordance with the requirements of the SEA Directive (2001/42/EC)

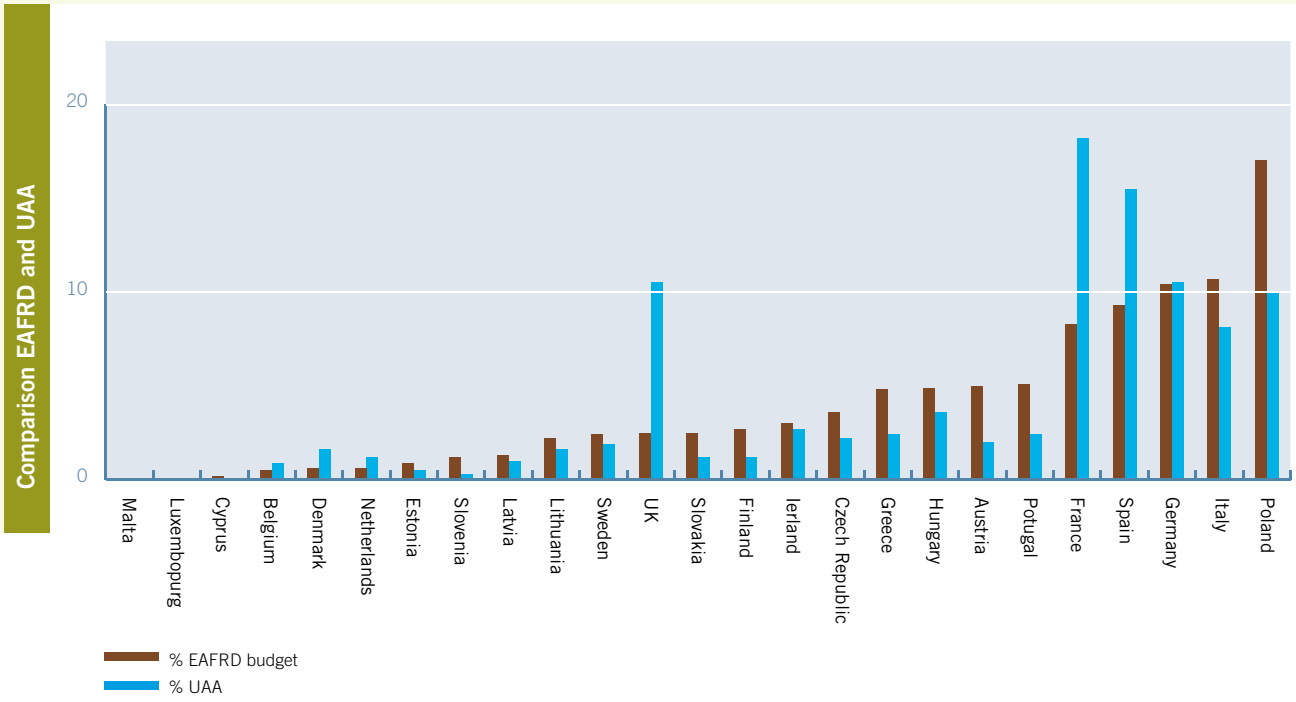
problems in putting together integrated packages of support.

- the fragmentation of support mechanisms (EU Pillar 1, optional national Pillar 1 and the three axes of EAFRD) schemes, eligibility rules, payment rates, budgets, advisory systems and sometimes delivery bodies;
- limitations on the agricultural policy options for providing support for the specific needs of HNV farming communities, because most support is delivered as horizontal measures, available throughout the country or to all eligible recipients in particular zones;
- the lack of understanding of HNV farming systems in many institutions, and the perception that they are of lower value than the more intensive commercial farming systems which threaten to replace them. This seems to be a cultural issue to a certain extent, and varies from Member State to Member State, but this lack of understanding may be seen within agricultural authorities who perhaps rely on environmental agencies and NGOs for technical advice on HNV management; in the low priority given to HNV schemes in some agri-environment budgets; and in a lack of technical competence among staff in advisory services and paying agencies, who may be unable to deliver appropriate support for habitat management and HNV low-input systems.

These challenges must be addressed if the long term future of HNV farming is to be secured in the EU-27 without losing further biodiversity value. The rules on Pillar 1 support mean that there is only a transient opportunity to target any of this at HNV farms in most of the new Member States. In contrast, all EU Member States and accession and candidate countries already have the opportunity to design and deliver a fully co-ordinated package of EAFRD support tailored to the needs of HNV farming areas.

National authorities might find it useful to adopt a seven point framework for CAP support in HNV farming areas which could then be used to design a specific and coherent package of support for each HNV area, targeting the environmental, economic and social needs of the farming system as an inter-dependent whole, not as a series of

Figure 4 Comparison of EU-25 distribution of Utilised Agricultural Area (2004) and EAFRD budget allocations 2007-13[54]



[54] Sources: UAA - European Commission DG Agri Agriculture in the EU, Statistical and Economic Information 2005. Budget - IEEP 15 Sep 06.

separate issues. Such a framework could cover the need to:

- identify and map HNV areas, farms and farming systems;
- secure the use of the land for appropriate low-input farming;
- support the system of production;
- secure the HNV infrastructure of the farm;
- support management for HNV habitats and species;
- develop the skills and capacity of the farmer and his family;
- secure the future of rural communities in HNV farming areas.

The first five of these seven elements should be seen as a sequence of policy targets, in that each needs to be secured before the next one can be implemented effectively. These seven building blocks of the framework are discussed below.

Identifying and mapping HNV areas, farms and farming systems

This is an essential first step to enable policy targeting. Some work has already been done and the JRC/EEA has recently published an updated EU-25 map of HNV farmland areas[55] Member States may already be able to identify HNV farmland areas systems at the national level using, for example, national environmental data (for example the maps of semi-natural grasslands and data on bird distribution, including IBAs), CORINE, Natura 2000 designations and the distribution of Annex 1 farmland species (under the Birds and Habitats Directives)[56]. It is important that HNV farmland areas are identified in a way which can easily be recognised by the IACS system. Some EU-10 Member States have already had problems targeting agri-environment measures at HNV areas, for example, in Lithuania agri-environment delivery agencies have not had access to digital maps of priority habitats, and in Hungary, the mapping system used for IACS was incompatible with that for Natura 2000[57].

Securing the use of HNV farmland

In extensive farming systems, which form the greater share of HNV areas, the first priority will be to ensure that the land remains in low intensity agricultural use and is not abandoned, used intensively or converted to non-agricultural use. The support options to achieve this for eight of the EU-10 and in the accession/candidate countries include decoupled support under Pillar 1, any national top-up payments under Pillar 1, LFA/handicap payments under EAFRD and the GAEC element of cross compliance.

Supporting the HNV farming system of production

Every HNV farming system has developed a close functional relationship with the biodiversity it supports, and may have characteristic patterns of cultivation and grazing upon which the high nature values depend. Some farming systems are well established and clearly compatible with nature conservation, for example, low-input mountain livestock systems. In some countries there are doubts about the extent to which existing good management can be supported by agri-environmental payments. However, if in calculating payments, opportunity costs are taken into account on the one hand, and the risk of abandonment on the other, there does not seem to be an obstacle to supporting existing good management, and clear advice to Member States on this will be important.

HNV systems of cropping and stocking provide not just diverse habitat structure but a range of other agricultural biodiversity benefits including nutrient cycling, maintenance of soil structure and organic matter, and populations of pollinating insects and other invertebrates. Grazing habitats may have been used over very long periods by local breeds of livestock well adapted to the sometimes harsh conditions. Significant changes to the pattern of land use or the grazing livestock may destroy key habitats, for example, by converting small

[55] EEA and JRC, 2006.

[56] COUNCIL DIRECTIVE 79/409 on the conservation of wild birds (EEC) and COUNCIL DIRECTIVE 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

[57] Keenleyside C., et al (2006) Farmland birds and agri-environment schemes in the New Member States. A report for the Royal Society for the Protection of Birds. RSPB, Sandy, UK. http://www.birdlifecapcampaign.org/cap/

scale mixed farming and fruit production to low-input energy crops, and by replacing hardy cattle with heavier modern stock. Supporting mixed livestock farms is likely to be a particular problem in HNV areas, as milk production moves away from semi-subsistence farms with one or two dairy cows to large commercial units. The options for support fall within Pillar 2 and include annual payments for restructuring semi-subsistence farms, differentiated LFA payments, and payments for organic farming and conserving genetic resources.

A potential useful source of support for low-input farming systems seems to be a combination of differentiated LFA payments, support for organic farming, and support for local breeds and crop varieties (genetic resources). This could be designed to address the needs of specific HNV farming systems, for example, the arable tanya of the Hungarian plains are very different from mountain grasslands of Croatia, and to help small-scale livestock producers experiencing difficulty in adapting to new markets and EU standards. There are opportunities to design organic support measures specifically for HNV farms, for example, payment rates, advice and support for processing and marketing, recognising that their needs differ from those of larger, more modern farms adapted to producing on a bigger scale for export to EU-15 Member States. Lack of local markets for organic produce, for example, in Cyprus, may need to be addressed by other support.

In many situations this support for land management will need to be supplemented by assistance for marketing to improve the range of outlets and prices for HNV products. This is essential for long term viability.

Support measures in Axis 1 for semi-subsistence farms may be able to help HNV producers but many may not be able to achieve viability without continuing long term support, for example through agri-environment. There are both modern and traditional models for part-time farming, which may be the preferred option for many HNV farm families, particularly if other EAFRD measures can be used to support the development of new rural businesses and services to provide alternative employment. The priority for restructuring HNV semi-subsistence farms should be to safeguard the biodiversity benefits while improving the farmers' working conditions, labour productivity, quality of marketable outputs, and access to new markets for 'green' products such as grass cuttings for biofuel. This would leave farmers the option of also retaining a subsistence element of farming, for example, a cow and an orchard for their own household.

Securing the HNV infrastructure of the farm

The structure and scale of land use, habitats and landscape features may be just as important as the in-field management. For example, many Wild Birds Directive Annex 1 birds, and other species as well, require a varied, abundant food supply, for example, insects, amphibians and small mammals, within easy reach of their nesting sites. Some raptors use taller landscape features as perching posts from which to hunt across the farm. Many of these features, such as small drainage channels, lines of trees, ponds, long grass, dead trees, hedges and terrace walls, are part of the uncultivated areas within the mosaic of the farmed landscape. In addition to being an important part of HNV areas, they may also be relevant to the obligation of Member States to encourage the management, in the wider countryside, of landscape features of major importance for wild fauna and flora such as rivers and their banks, traditional field boundaries, ponds or small woods[58]. The options for supporting the landscape structure in HNV farmland areas include cross compliance and Natura 2000 compensation. The non-farmed areas and other landscape features of HNV farms are small, scattered, highly variable and may often be difficult to define and record unless they are marked on a farm map. In many cases, the way in which these features relate to each other is just as important as their individual value. Some simply need protection from removal, others need active management and replacement. Ensuring their survival and on-going maintenance is likely to need a combination of measures, some of which may require records of the features, for example, on maps, aerial photographs or satellite images. Natura 2000 compensation payments have the potential to be an effective tool but will apply to only about one third of all HNV farmland and even here implementation may be delayed. The best option in the short term may be a combination of carefully defined GAEC requirements with agri-environment incentives to manage and replace key features. Both need to be backed up by clear advice and information for farmers before GAEC requirements are implemented, to discourage farmers from 'cleaning up ' their farms before applying for the scheme. LFA payments could have a role here, for example, through differentiating payments in favour of farms with small plot sizes, which would provide an incentive to keep the boundary features between plots.

Supporting biodiversity management of HNV habitats and species

The habitat management requirements for some plants and animals are very precise and although in the recent past these fitted well with the day to day management of the farm this is often no longer the case. Continuing to follow such management may increase a farmer's costs, for example, moving grazing stock more frequently, limit his potential income from existing crops, for example, making hay rather than silage, sowing cereals in spring not autumn, limiting

[58] Article 10 of COUNCIL DIRECTIVE 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

pesticides and fertilisers, or limit the opportunities to diversify or achieve economies of scale, for example, replace traditional rotations and fallow with monocultures. A combination of Axis 2 and Axis 3 support seems to offer the best option for HNV farmland habitat and species management - agri-environment schemes and non-productive investments from Axis 2, based on HNV management plans supported by Axis 3 as these become available.

Land tenure issues

Attitudes to land ownership and management may have to change, to accommodate new part-time or absent farmers of HNV land. As a result of land restitution and poor employment prospects in rural areas a significant area of HNV land is now owned by people who live elsewhere. Some of this is rented by fulltime farmers, but there are examples of land belonging to absent owners who have registered it for SAPS and LFA payments and who manage it simply by meeting the annual mowing requirements of GAEC, where no local farmers are able or willing to take on this land with such management. This is a potentially useful way of protecting land from abandonment and providing valuable habitats, for example, for ground nesting birds. Traditional forms of property rights and land use, such as common grazing and transhumance, have a very important part to play in maintaining HNV steppe and grassland habitats, for example, in Romania, Poland and Greece, but these farmers are often not seen as significant agriculturally, economically or socially. New ways are needed to support these graziers and to reward them for the biodiversity benefits their livestock bring, if necessary by adapting EAFRD support to their particular needs.

The significance of attitudes to HNV farming

In many countries there is also a need to change attitudes to HNV farming so that the benefits to EU society are more widely recognised. HNV farmers are not seen as the image of modern efficient food production that new Member States wish to promote to their export markets. As a result, some conventional farmers and agricultural authorities seeking to improve the competitiveness of agriculture may simply view HNV farmers as a social problem occupying land which could be put to more productive use. In contrast, the national environmental authorities who need well-managed HNV farmland if they are to meet EU biodiversity targets and Natura 2000 legal requirements may view them as a skilled but ageing workforce performing essential labour-intensive management tasks often in harsh working conditions, with an unacceptably poor standard of living and no successors. Changing negative attitudes to HNV farming can be a lengthy process which requires the commitment and active involvement of agricultural authorities, especially advisory and extension staff, and farmers' organisations.

Governments in all Member States, new and old, have an opportunity to promote HNV farming as an environmental asset, and it is important that rural communities and farmers' organisations understand clearly that there are EU payments available to farmers who manage their land to produce environmental benefits.

Annex 1 Overview of implementation of pillar 1 reforms

	Start	Regions	Model	Decoupling of dairy payment
Austria	2005	-	Historic	2007
Belgium	2005	Zone Nord: Flanders + Brussels	Historic	2006
	2005	Zone Sud: Wallonia	Historic	2006
Cyprus	-	-	*Mandatory regional*	-
Czech Republic		-	*Mandatory regional*	-
Denmark	2005	One region	Static hybrid	2005
Estonia		-	*Mandatory regional*	-
Finland	2006	(Three regions based on reference yield)	Dynamic hybrid moving to flat rate model	2006
France	2006	-	Historic	2006
Germany	2005	Bundesländer (Berlin included in Brandenburg, Bremen in Lower Saxony and Hamburg in Schleswig-Holstein)	Dynamic hybrid moving to a flat rate model	2005
Greece	2006	-	Historic	2007
Hungary		-	*Mandatory regional*	-
Ireland	2005	-	Historic	2005

What sectors remain coupled	Implementation of the second wave of the CAP- reform (tobacco, cotton, olive oil and hops) and the reform of the sugar sector
• suckler cows 100% • slaughter premium adults 40% • slaughter premium calves 100%	• tobacco 100% decoupled • hops payment 25% coupled
• suckler cows 100% • slaughter premium calves 100% • seeds (some species) 100%	• tobacco 100% decoupled
• suckler cows 100% • seeds (some species) 100%	• tobacco 100% decoupled
-	-
-	-
• special male premium 75% • ewe premium 50%	-
-	-
• sheep and goats payments 50% • special male premium 75% Article 69 application: • 2.1% of the ceiling for arable crops, • 10% of the ceiling for the bovine sector • seeds (timothy seed)	-
• cereals 25% • suckler cows 100% • ewe premium 50% • veal slaughter premium 100% • adult slaughter premium 40% • outermost regions 100% • seeds (some species)	• 10% deduction in the olive oil sector for the funding of working programmes established by producer organisations (Art 110 (i) of 1782/2003 and Art. 8 of Reg. 865/2003) annex VII point H and I • hops payments 25% • olive oil coefficient for decoupling: 1 • tobacco coefficient for decoupling: 0.4
	• hops payments 25% • tobacco coefficient for decoupling: 0.4
• seeds Article 69 application: = 10% of the ceiling for arable crops, = 10% of the ceiling for the beef sector, = 5% of the ceiling for the sheep and goat sector	Article 69 application: = 2% of the ceiling for tobacco = 4% of the ceiling for olive oil = 10% of the ceiling for sugar • 2% deduction in the olive oil sector for the funding of working programmes established by producer organisations (Art 110 (i) of 1782/2003 and Art. 8 of Reg. 865/2003). annex VII point H and I: • sectors tobacco and olive oil 100% decoupled
none	

	Start	Regions	Model	Decoupling of dairy payment
Italy	2005	-	Historic	2006
Latvia	-	-	*Mandatory regional*	-
Lithuania	-	-	*Mandatory regional*	-
Luxembourg	2005	One region	Static hybrid	2005
Malta	2007	-	*Mandatory regional*	-
Netherlands	2006	-	Historic	2007
Poland	-	-	*Mandatory regional*	-
Portugal	2005	-	Historic	2007
Slovakia	-	-	*Mandatory regional*	-
Slovenia	-	-	*Mandatory regional*	-
Spain	2006	-	Historic	2006
Sweden	2005	5 regions (based on reference yield)	Static hybrid	2005
United Kingdom	2005	England normal	Dynamic hybrid moving to flat rate payment	2005
	2005	England moorland	Dynamic hybrid moving to flat rate payment	-
	2005	England SDA minus moorland	Dynamic hybrid moving to flat rate payment	-
	2005	Scotland	Historic	-
	2005	Wales	Historic	-
	2005	Northern Ireland	Static hybrid	-

What sectors remain coupled	Implementation of the second wave of the CAP- reform (tobacco, cotton, olive oil and hops) and the reform of the sugar sector
• seeds 100% • article 69 for quality production = 8% of the ceiling for the arable sector, = 7% of the ceiling for the bovine sector = 5% of the ceiling for the sheep and goat sector	Article 69 application: = 8% of the ceiling for sugar • 5% deduction in the olive oil sector for the funding of sector, working programmes established by producer organisations (Art 110 (i) of 1782/2003 and Art. 8 of Reg. 865/2003) goat sector annex VII point H and I: • coefficient for the decoupling of olive oil is increased to 1 • coefficient for the decoupling of tobacco 0.4 • for the region Puglia the decoupling coefficient for tobacco is 100%
none	-
• slaughter premium calves 100% • slaughter premium adults 100% • seeds for fibre flax 100%	-
• suckler cows 100% • slaughter premium calves 100% • slaughter premium adults 40% • ewe premium 50% • seeds 100% • outermost regions 100% Article 69: 1% (arable crops, rice, bovine and ovine sectors)	Article 69: • 10% of the ceiling for the olive oil sector • 10% of the ceiling for sugar • tobacco decoupling coefficient 0,5 • olive oil decoupling coefficient: 1
• seeds 100% • arable crops 25% • sheep and goat premiums 50% • suckler cow 100% • slaughter premium calves 100% • adult slaughter premium 40% • Article 69 application: = 7% of the ceiling for the bovine sector = 10% of the ceiling for dairy payments • outermost regions 100%	• tobacco decoupling coefficient: 0.4 • olive oil decoupling coefficient: 0.936 Article 69: • 5% of the ceiling for the tobacco sector, • 10% of the ceiling for the cotton sector • 10% of the ceiling for sugar
• special male premium 74.55% Article 69 application: 0.45% of total ceiling	
None	
None	
None	
Article 69: 10% of the ceiling for the bovine sector	
None	
None	

Annex 2 Seminar programme

Day 1 Thursday 7th December 2006

Morning - Chairperson: Mrs. Nina Dobryńska, Ministry of Agriculture and Rural Development, Poland

9.30-9.40	Welcome	Secretary of State of Ministry of Agriculture and Rural Development of Poland, Mr. Henryk Kowalczyk
9.40-9.55	The future of the CAP in relation to biodiversity from a Dutch perspective	Director for Nature of the Ministry of Agriculture, Nature and Food Quality of the Netherlands, Mr. Giuseppe Raaphorst
9.55-10.15	The future of the CAP in relation to biodiversity from a European Commission perspective	European Commission DG Agriculture and DG Environment Mr. Alexander Page and Mr. Krzysztof Sulima
10.15-10.30	Ongoing programme period under RDP - a challenge for biodiversity protection? A Polish perspective	Ministry of Agriculture and Rural Development of Poland, Mrs. Nina Dobrzyńska
10.30-10.45	Questions/ answers, discussion	
10.45–11.15	**Coffee break**	
11.15-11.30	Farm management dedicated to protect and conserve the ecological conditions in Important Bird Areas and beyond	OTOP Mr. Marek Jobda
11.30-11.45	Presentation of a background document Relationship between the CAP and Biodiversity in the EU	IEEP Mrs. Clunie Keenleyside
11.45-12.00	Questions/ answers and discussion about two presented lectures	Chairperson Mrs. Nina Dobrzyńska
12.00-12.15	The relationship between agriculture and biodiversity from the Ministry of Environment's point of view	Polish Ministry of Environment Mr. Andrzej Langowski
12.15-12.30	Potential use of LFA as a tool for environmental protection	Polish Institute of Soil Science and Plant Cultivation, Mr. Tomasz Stuczyński
12.30-13.15	Questions/ answers and panel discussion with all speakers of morning programme.	Chairperson Mrs. Nina Dobrzyńska
	Afternoon - Chairperson: Mr. Giuseppe Raaphorst of the Dutch Ministry of Agriculture, Nature and Food Quality	
14.30-17.00	Plenary session 2	Chairperson: Mr. Giuseppe Raaphorst Reporter: Organisers Minutes: IEEP
14.30-14.45	The semi-natural grasslands of the new Member States and Candidate Countries	KNNV, Mr. Peter Veen
14.45-15.15	View on the relationship between CAP and biodiversity: short presentations by Slovenia, Finland	Mrs. Marta Hrustel Majcen (Slovenia) Mrs. Elina Nikkola (Finland)
15.15-15.30	Questions to the speakers/discussion	

15.30-15.50	**Coffee break**	
15.50-16.35	View on the relationship between CAP and biodiversity: short presentations by Hungary, Sweden and Bulgaria	Mr. Atilla Lucskai (Hungary) Mrs. Helene Holstein (Sweden) Mrs. Vyara Stefanova (Bulgaria)
16.35-17.00	Questions to the speakers/discussion	Chairperson: Mr. Giuseppe Raaphorst
17.00-17.10	Summing up and introduction to discussions on Friday	Poland/Netherlands/IEEP
	Evening	
18.45-19.00	Transfer on bus from the hotel to MONTOWNIA Theatre	
19.00-19.30	Welcome drink and cocktail in MONTOWNIA Theatre	
19.30-20.30	"The Party" Play by Mrożek – English version	
20.30-22.00	Dinner in MONTOWNIA Theatre after spectacle	
22.00-23.30	Warsaw Night tour on the bus – English guide	

Day 2 Friday, 8th December 2006

Morning

9.00-9.05	Introduction to Friday's work programme	Chairperson
9.10-9.25	Finland's reflection on the outcome of day 1	Finnish Ministry of Environment Mr. Tapio Heikkila
9.25-9.40	Birdlife International's reflection on the outcome of day 1	Birdlife International Mr. Ariel Brunner
9.40-10.00	Questions and brief discussion	
10.00-10.15	Presentation of draft seminar conclusions	Poland/Netherlands
10.15-10.45	**Coffee break**	
10.45-12.45	Workshop 1: discussion on draft conclusions, focus on CAP & biodiversity	Moderator from Poland/Netherlands
10.45-12.45	Workshop 2: discussion on draft conclusions, focus on CAP & biodiversity	Moderator from Poland/Netherlands
	Afternoon	
13.45-15.30	Reporting back from the workshops, discussion on the draft conclusions; adoption of conclusions	Led by a chairperson
15.30-15.45	**Coffee break**	
15.45-16.00	Closing remarks by the Dutch Ministry of Agriculture, Nature and Food Quality Closure by / on behalf of the Polish Minister of Agriculture	Mr. H.J.W. Mulder, director Government Service for Land and Water Management (DLG) Netherlands Ms. Nina Dobrzyńska, director of Department of Programming and Analysis (MoA) Poland

Annex 3 Participants

Martien Lankester	Executive Director	Avalon	AVALON/NL
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Nadezhda Kyuchukova	State Expert	Ministry of Agriculture and Forestry, European Integration and International Relations Directorate	Bulgaria
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