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Recent evolution of the EU Common Agricultural Policy (CAP): state of play and environmental potential

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1. Introduction

This paper explains the Common Agricultural Policy (CAP) as it was in 2003, recent reforms and expected future changes. It is intended to lay some of the foundations for the policy component of the MEACAP project[1], and to contribute to common understanding of the ongoing reform process between the project partners.

In considering how commitments made by the European Community (EC) in international agreements on the environment can be translated into European Union (EU) policy measures, it is worth recollecting that the CAP, whilst constituting a powerful set of instruments, was not designed to direct the details of day to day management at farm level, but it has a major influence on farm management decisions. It seeks to support the agricultural sector and farm incomes as well as other objectives, mainly through providing economic incentives. Farmers react to these incentives in different ways and are affected by many other influences, such as world market prices, consumer preferences, technological change, family traditions etc. Most of the economic incentives were, or still are, developed as market support measures, and have focussed on individual commodities such as cereals, beef cattle or tobacco under so called Pillar One of the CAP. Most of those measures were gradually transformed into direct income support measures. There is no explicit objective of devoting a particular area of land to agriculture or to forestry. Nor is there an objective to utilise a prescribed quantity of fertiliser, keep livestock numbers at a certain level or adopt specific technologies. Whilst issues of this kind are of particular relevance to the climate change and biodiversity impacts of agriculture, they are not the principal concern of agricultural policy. There are some direct interventions in land use associated with the CAP, such as set aside requirements and the more recent rules on the protection of permanent pasture. However, these are the exception rather than the rule.

In the course of development of the CAP additional set of measures were developed to serve broader environmental and rural development objectives, under so called Pillar Two of the CAP.

Through the provision of incentives and a number of accompanying rules, the CAP is a key driver of agriculture in the EU. However, it needs to be seen alongside other drivers, such as the substantial level of national funding for agriculture, the fluctuations on the world market for food products and the negotiations taking place within the World Trade Organisation. It is necessary to gauge the relationship between measures adopted under the CAP and the management decisions made at farm level in order to understand how the policy affects environmental outcomes.

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[1] For information about the project please visit project's website:
http://www.ieep.org.uk/research/MEACAP/MEACAP_Home.htm

The CAP dates from 1957, and its foundations are entrenched in the Treaty of Rome. The key emphasis in the 1960s, when the CAP was brought into effect, was to increase agricultural productivity, partly for food security reasons, but also to ensure that the EU had a viable agricultural sector and that consumers had a stable supply of affordable food. The means to achieve this were CAP subsidies and guaranteed prices to farmers, thus providing them with an incentive to produce. The framework established by the 'common market organisations' set a minimum market price for commodities within the main sectors. As a result, by the 1980s, the EU had to contend with almost permanent surpluses of most of the major farm commodities, which were either exported (with the help of subsidies), stored or disposed of within the EU. Overall, the CAP had a high budgetary cost, distorted some world markets, did not always serve the best interests of farmers and resulted in some negative environmental impacts.

With the MacSharry reform of 1992 several steps were taken by the EU to shift CAP subsidies away from price and market support towards direct support for farmers. With the Agenda 2000 reform, agreed in 1999 different political aims became prominent, as signified by the shift in focus towards the maintenance and enhancement of the rural environment and the growing recognition of agriculture as a multifunctional activity. However price support and income payments, together with milk quotas, remained the dominant support measures. The 2003 CAP reform made further progress in the direction initiated by the Agenda 2000 reform, by aiming to make European agriculture more market oriented and giving a stronger focus to environmental protection.

This paper provides an overview of the main elements of the CAP prior to the 2003 reform, both market measures (Pillar One) and rural development support (Pillar Two), and highlights the changes following the 2003 reform. Three of the main policy mechanisms through which the EU has reformed the CAP: decoupling, modulation and cross compliance are discussed, with some detail about the measures being adopted by different Member States. A number of other factors which have an influence on EU agricultural policy, including, for example the rural development proposal due to come into effect from 2007 and the Doha Development Round of the WTO are referred to.

The final section of the paper highlights the potential effects of the CAP and its 2003 reforms may have in terms of Member States meeting both biodiversity objectives and Kyoto Protocol commitments and CAP linkages to forestry.

2. The Common Agricultural Policy (CAP) pre 2003 reform

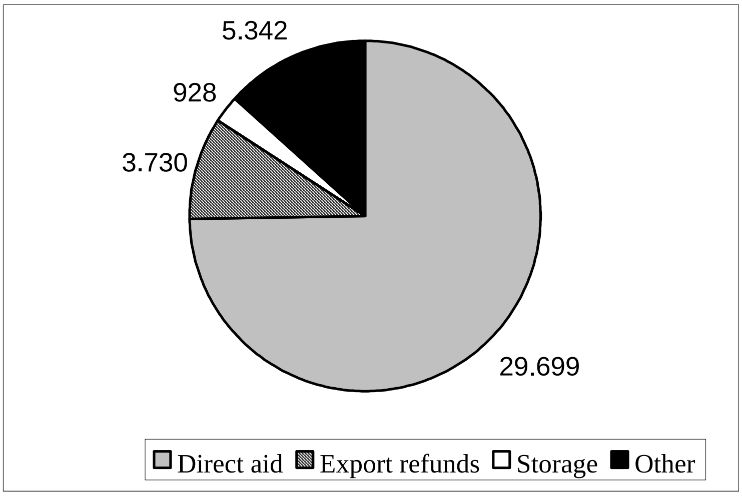
The CAP comprises two principal forms of budgetary expenditure – market support, known as Pillar One, and a range of selective payments for rural development measures known as Pillar Two. Pillar One consists of direct area and livestock related payments available to nearly all farmers, export subsidies, support for intervention buying and storage, and a few independent market regimes, e.g. for some Mediterranean products such as olive oil, tobacco and cotton. All support under Pillar One is fully financed from EU resources through the Guarantee Section of the European Agricultural Guarantee and Guidance Fund (EAGGF). Pillar Two measures are aimed at supporting broader rural development and environmental objectives, through measures such as subsidies to farmers forgoing economic benefits to protect environment (agri-environment measures), income support to farmers in so called less favoured areas, on-farm and rural infrastructure investment support, training and technical assistance. Measures under Pillar Two are financed from both Guarantee and Guidance Sections of the EAGGF, depending on the part of Europe and measures in question, with different programming processes for each section. All Pillar Two measures have to be co-financed from national or regional public funds, and agri-environment measures are at present the only compulsory measure under this pillar. While Pillar One measures are developed and administered at the EU level, Pillar Two allows Member States to choose from a broad menu of measures aimed at improving the competitiveness of the agricultural sector, maintenance and improvement of the environment, and the overall improvement of living conditions in rural areas.

2.1 Introduction into the two pillars of the CAP

2.1.1 Pillar One

Notwithstanding recent reforms, Pillar One remains the dominant part of the CAP, especially in terms of the EU budget dedicated to it (89 percent of EAGGF expenditure in 2003) and the area of farmland benefiting from it. It comprises a number of different regimes – Common Market Organisations. Direct payments to farmers in both crop and livestock sectors are important instrument of the CAP in terms of income support and, ultimately, influence farm management decisions (see Figure 1).

Figure 1: Structure of Pillar One expenditure in 2003 (mill. €)



Source: European Commission, DG Budget (2004)

However, other market measures such as intervention buying, aid for storage, import regimes and export subsidies can significantly influence both EU and world market conditions in the sector concerned (e.g. sugar and dairy products). Other forms of aid such as support for producer groups or for processing are of less importance in general terms, but may be crucial for the particular sectors that they apply to. Some agricultural sectors are supported more heavily than others; Table 1 provides a brief overview of the type of support operating under the Common Market Organisations prior to 2003 reform.

Table 1: Overview of Pillar One support measures for selected products (pre 2003 reform)

Sector/Products	Forms of support
Arable crops (cereals -with durum wheat subject to special rules, protein crops, oilseeds, seed flax, potatoes grown for starch on contract, and grass silage)	Area payments to producers, conditional upon setting aside a defined proportion of land; Intervention buying (cereals) or buying at guaranteed prices (potatoes for starch); Aid to private storage (some products); Export subsidies (some products).
Dairy	Production volume regulated by quotas; Intervention buying of butter, skimmed milk powder and certain cheeses; Minimum prices (target price) for producers selling to processor using EU support; Aid to private storage; Marketing aid; Export subsidies.

Table 1: continued...

Sector/Products	Forms of support
Beef and veal	Direct headage payments to producers, such as: • Beef special premium; • Deseasonalisation premium; • Suckler cow premium; • Slaughter premium; • Extensification premium. National envelopes are optional for Member States; Other measures: • Intervention buying; • Aid to private storage; • Export subsidies.
Sheep and goats	Direct headage payments to producers; Additional payments for sheep kept within LFAs; Optional supplement and premiums eg to support certain types of production or to help establish producer organisations.
Sugar	Production of sugar in the EU and its imports and exports are regulated by a quota system; Guaranteed prices for producers; Intervention buying; Production aid to processors; Export subsidies
Olive oil	Area payments for producers; Planting right regulation system; Private storage aid; Export subsidies

Source: European Commission, DG Agriculture (compiled by IEEP)

2.1.2 Pillar Two

Pillar Two provides funds for a wide range of rural development schemes. All Pillar Two measures are based on Regulation (EC) 1257/1999 - the Rural Development Regulation (RDR) - and amendments of it. The RDR provides a menu of 22 measures, from which Member States, or their regions, choose when designing Rural Development Plans (RDPs). The measures can be broadly grouped into three categories as Table 2 shows. Unlike Pillar One, Pillar Two measures can be applied selectively to areas or categories of beneficiary, and can also be combined with purely national forms of support known as state aids.

Table 2: Measures under the RDR by category

(1) Competitiveness of agriculture	(2) Land management and environment	(3) Broader rural development
• Investment in farms; • Support to young farmers; • Vocational training; • Early retirement; • Investment in processing/marketing; • Land improvement; • Reparcelling; • Setting up of farm relief services; • Marketing of quality products; • Agricultural water resources management; • Development and improvement of infrastructure related to agriculture; and • Restoring agricultural production potential.	• Compensatory allowances in Less Favoured Areas and areas with environmental restrictions (LFA); • Agri-environment programmes; • Afforestation of agricultural land and other forestry measures; and • Environmental protection in connection with agriculture and forestry	• Basic services for the rural economy and population; • Renovation and development of villages; • Diversification of agricultural activities; • Encouragement for tourism and craft activities and financial engineering.

In the period 2000-2003, cumulative expenditure for group 2 measures amounted to 64 percent of total Pillar Two expenditure, while group 1 amounted to 29 percent, and group 3, 6 percent. Land management and environment related measures are the main policy tool under the CAP in terms of helping to deliver environmental objectives.

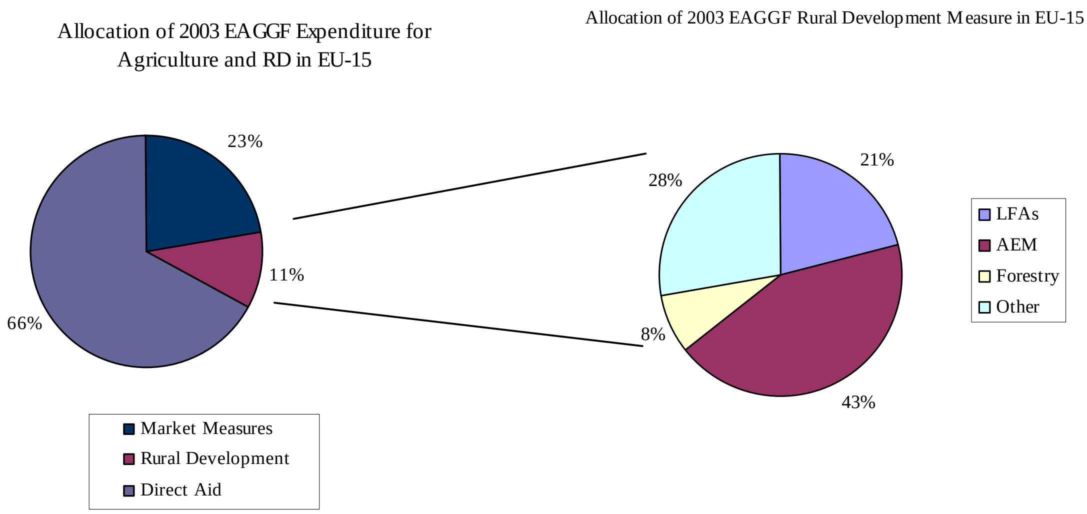
The CAP Pillar Two rural development measures and payments are broadly similar in the new Member States and in the old EU-15, with some special transitional measures available in the former.

2.2 The structure of CAP spending

As the focus of this analysis is mainly geared by the budgetary expenditure of the CAP it should be noted that a large part of agricultural support in the EU is financed by transfers from consumers to agricultural producers. According to estimates by the Organisation for Economic Co-operation and Development (OECD) in 2003 this exceeded by € 61.6 billion the budgetary support of the CAP (OECD, 2004). The additional costs to consumers result from higher internal EU prices caused by protection of the EU market from the world market via high tariffs and other means.

In 2003, the total European Agricultural Guarantee and Guidance Fund (EAGGF) amounted to € 44.4 billion, 57 percent of total EU expenditure. As much as two thirds of the CAP funds were spent on direct payments. More than a fifth was spent on market related measures, such as export refunds, intervention buying, storage and some less significant market related measures. A small proportion of these funds have some environmental conditions attached to them, e.g. set-aside, beef extensification premium, subsidies for cotton growers. Together these budgetary headlines accounted for € 39.7 billion, 89 percent of the CAP expenditure in 2003. Expenditure on rural development (Pillar Two) accounted for € 4.7 billion, 11 percent of the total EAGGF budget (Guarantee and Guidance combined), see Figure 2.

Figure 2: Structure of EAGGF expenditure in the EU-15 in 2003



Source: European Commission, DG Budget (2004).

The greatest proportion of direct support under both Pillar One (42% of 2003 Pillar One appropriations) and the CAP in general (37%) goes to the arable crops sector, mainly through area and set-aside payments, within which cereals take the greatest share (78 percent of EAGGF appropriations for arable crops in 2003). The beef and the veal sector is the second largest item of EAGGF Guarantee expenditure, followed by the dairy sector, olive oil and sheep and goats.

Table 3: Breakdown of the EAGGF payment allocations for the year 2003

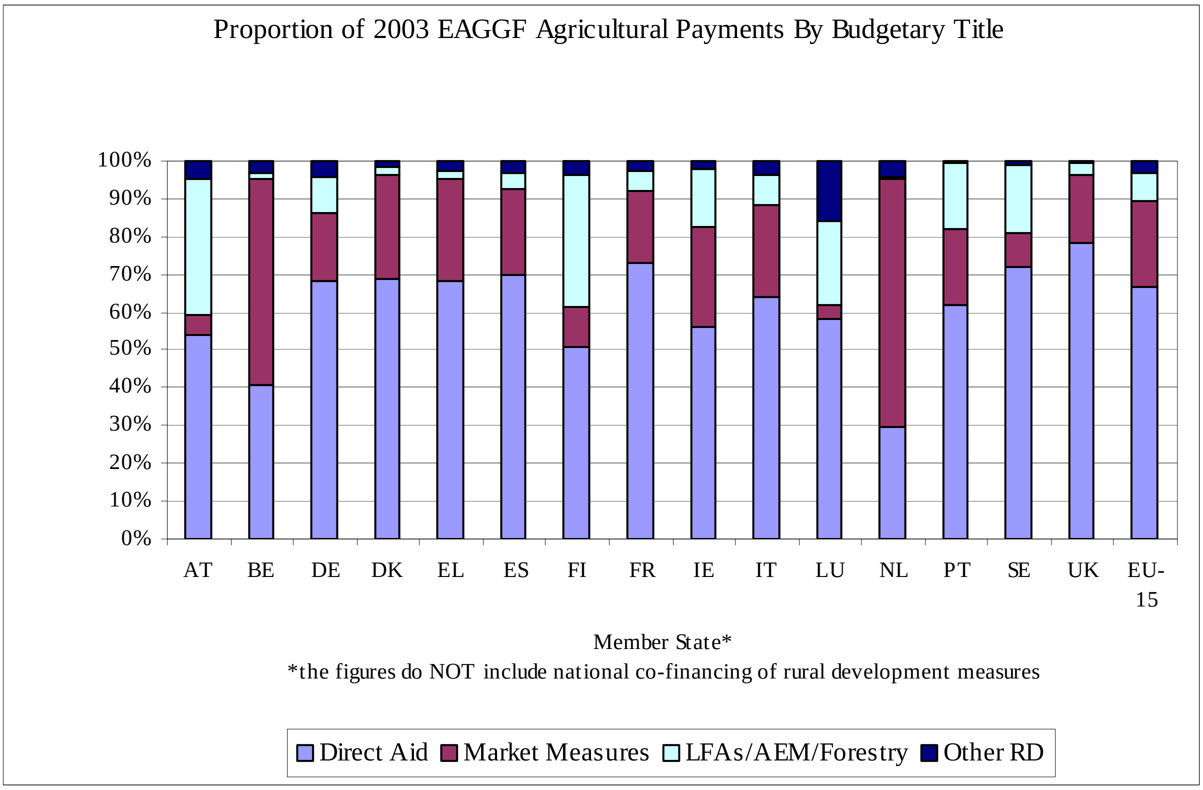
EAGGF Area of support	Total allocations million €	Percentage of total
Arable crops (cereals, oilseed & protein crops)	16,809	37.9 %
Other plant products	8,936	20.1 %
of which: Olive oil	*2,346*	*5.3 %*
Fruit & vegetables	*1,532*	*3.5 %*
Sugar	*1,277*	*2.9 %*
Vine-growing sector	*1,213*	*2.7 %*
Tobacco	*958*	*2.2 %*
Fibre plants and silkworms	*889*	*2.0 %*
Other	*720*	*1.6 %*
Milk/milk products	2,796	6.3 %
Beef/veal sector	8,091	18.2 %
Sheep/goat sector	2,082	4.7 %
Other animal products (pig meat, poultry & other)	184	0.5 %
Rural Development	4,680	10.5 %
Other (ancillary, Reserves)	800	1.8 %
Total CAP spending:	**44,378**	**100.0 %**

Source: European Commission, DG Budget (2004).

Rural development allocations from both the Guarantee and Guidance sections of EAGGF are lower than support to the beef sector alone, and roughly equivalent to the aid dedicated together to the dairy and olive oil sectors.

Figure 3 shows patterns of the overall EAGGF expenditure in individual Member States. The UK (78.5 %), France (73 %) and Sweden (72.1 %) account for the highest proportions of expenditure on direct aids while the Netherlands (65.8 %) and Belgium (54.5 %) account for the greatest expenditure on other market measures. The highest levels of expenditure on rural development are found in Austria (36.1 %) and Finland (34.8 %) while in Belgium, Denmark, Greece, the UK, Spain, the Netherlands and France, expenditure on these measures amounts to less than 10 percent of the total EAGGF funds. In all Member States therefore, the balance of expenditure between Pillar One and Pillar Two of the CAP is currently focused heavily on Pillar One within which there are relatively few measures with any environmental objectives or eligibility conditions.

Figure 3: Structure of EAGGF 2003 expenditure by Member State – EU-15



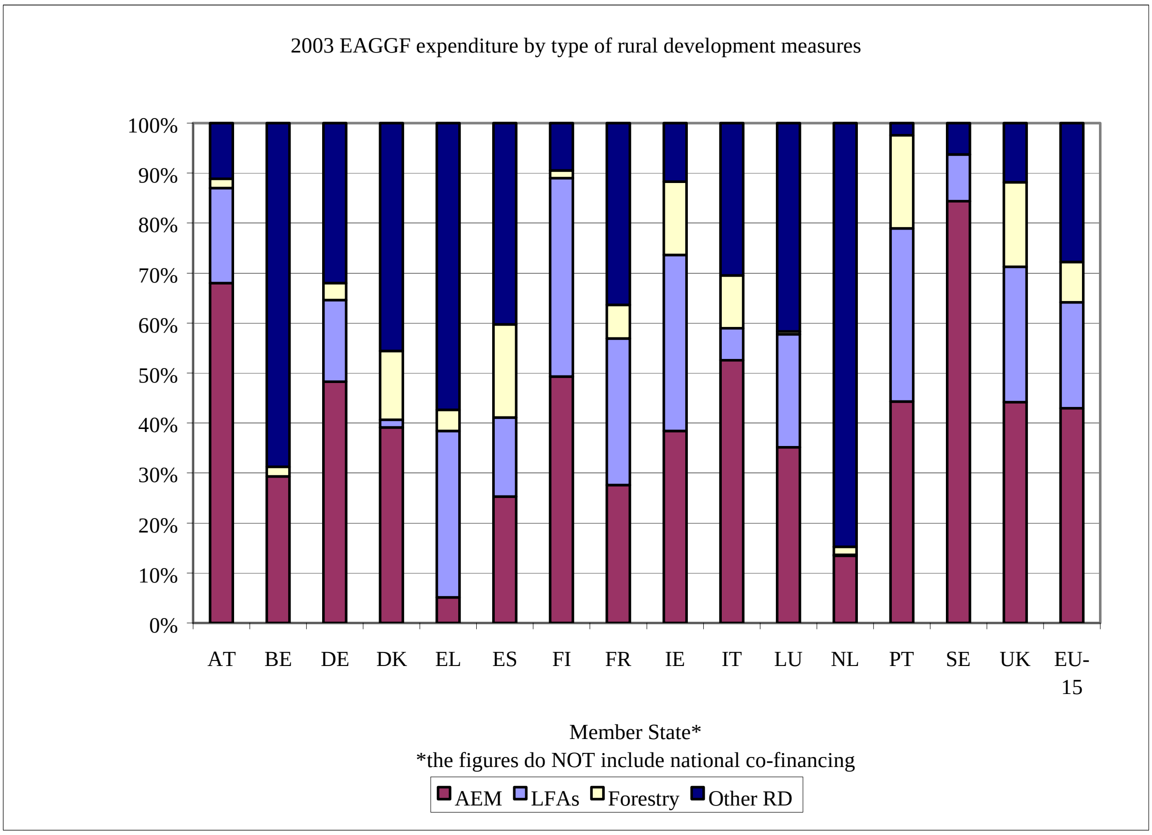
Source: European Commission, DG Budget (2004).

Rural development (Pillar Two) measures are only partly funded under the CAP. Member States have to provide a proportion of the funds themselves (co-financing). Measures are financed from both the Guarantee and Guidance Sections of EAGGF. The Guarantee Section covers support throughout the EU for a group of key measures known as the accompanying measures: early retirement, less-favoured areas, agri-environment and afforestation of farmland. The other rural development measures are financed by the EAGGF Guidance Section in Objective 1[2] areas and by the Guarantee Section in the other areas. During the programming period 2000-06 between € 4,300 and 4,370 million was allocated each year to the EU-15 as a whole for Pillar Two measures. National co-financing has to be added to this total.

Within rural development budgets different patterns of expenditure can be observed, (see Figure 4). The selection of measures incorporated into Rural Development Plans is at the discretion of the Member States/Regions concerned, with the exception of agri-environment measures. All RDPs have to offer some agri-environment measures, but the Member States / regions are free to decide their scope, and participation by farmers is voluntary.

[2] Objective 1 areas are priority areas of the EU cohesion policy and attract most of the funding by Structural Fund. They are designated on basis of the GDP per capita, where it is lower than 75% of the EU average.

Figure 4: Structure of 2003 expenditure on rural development by member state



Source: European Commission, DG Budget (2004).

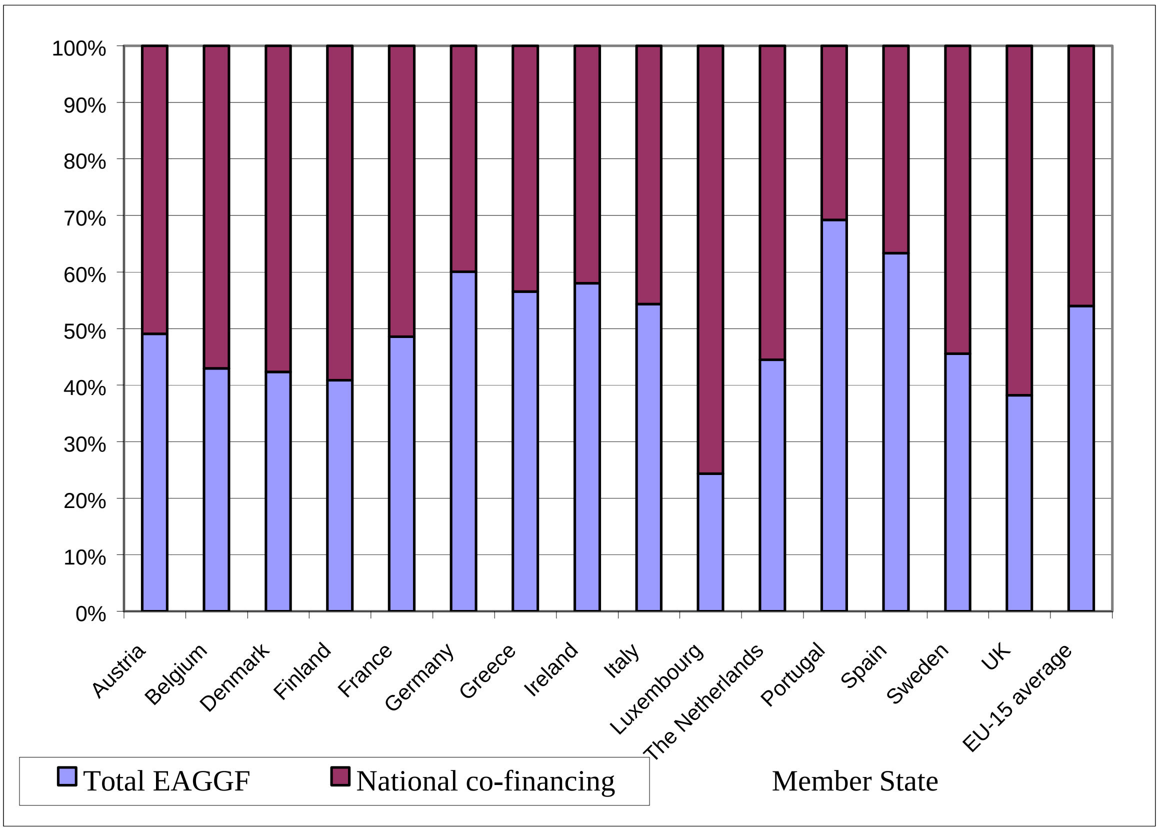
Agri-environment measures account for the majority of Pillar Two expenditure in the EU-15 in general. However, some Member States dedicate only a small proportion of their rural development programmes to agri-environment schemes - showing the differing degrees of priority attached to them. There is some correlation between the amount of funding allocated by Member States to agri-environment measures and the agricultural area enrolled in agri-environment measures. Countries with high expenditure levels such as Austria, Finland and Sweden have over 75% of their UAA enrolled in agri-environment schemes, while countries with the lowest expenditure, Greece, Spain and the Netherlands have less than 10% of their UAA enrolled in schemes. The same relationship can be witnessed in terms of annual expenditure on agri-environment measures per ha of UAA. Relating these figures on agri-environment expenditure to Natura 2000 sites[3] shows that some countries with low agri-environment expenditure such as Spain and France have relatively large areas of Natura 2000 sites that rely on the continuation of extensive

[3] Natura 2000 is a 'coherent-European ecological network' of sites of Community importance, comprising of three types of sites: sites hosting the habitat types of Community importance listed in Annex I of habitat Directive, sites comprising the habitats of certain animal and plant species of Community importance listed in Annex II to habitat Directive, and 'Special Protection Areas' for birds classified by Member States under the birds Directive. The purpose of the network is to enable the maintenance or restoration of a favourable conservation status in their natural range for the habitats concerned.

farming practices, the latter being an activity that agri-environment schemes can encourage.

The political priorities of national and/or regional governments in supporting rural development measures are expressed not only in the selection of measures but also in the amount of national and/or regional co-financing made available. The maximum rates of EU co-financing is higher for Objective 1 than for the rest of the EU. However, differences in the amount of national expenditure used to complement EAGGF resources go far beyond the scale arising from this variation. In the period 2000-2006 Member States have committed public funds as national or regional co-financing, equivalent to 85 percent of the EAGGF funds, with a minimum of 44 percent (Portugal) and a maximum of over 300 percent (Luxembourg). See Figure 5.

Figure 5: EAGGF allocations for rural development and national co-financing 2000-2006



Source: European Commission, DG Budget (2004).

Similar variability in political priorities can be illustrated by the allocation of 2004-06 Rural Development Programme funding by new Member States, shown in Figure 6. This reflects to some extent the pressing social and economic problems which compete with environmental priorities for rural development funding, and also the decision in some new Member States to use Pillar Two funds to top-up Pillar One payments until 2006.

Figure 6: Preliminary structure of financial allocations under Rural Development Plans in CEEC-7 for 2004-06

	Estonia	Latvia	Lithuania	Poland	Hungary	Czech	Slovakia	TOTAL (CEE 7)
Shift-back to the 1st pillar	14%	9%	20%	20%	0%	0%	19%	15%
Less Favoured Areas	18%	54%	24%	27%	11%	45%	47%	30%
Agri-Environmental Prog.	30%	8%	10%	10%	41%	49%	15%	18%
Afforestation of farmland	6%	0%	4%	3%	3%	3%	1%	3%
Early retirement of farmers	0%	2%	23%	18%	11%	1%	0%	13%
Meeting EU standards	22%	18%	13%	7%	23%	0%	5%	9%
Semi-subsistence farming	7%	8%	5%	10%	5%	0%	1%	7%
Setting up producer groups	0%	1%	0%	1%	3%	1%	1%	1%
Technical assistance	2%	1%	1%	1%	5%	1%	3%	2%

Source: Friends of the Earth Europe (2004).

While funding levels in themselves, even for measures with environmental objectives, do not indicate whether these policy tools have been used effectively to address environmental concerns in practice, they give some indication, at least, of the political will and opportunity to do so.

2.3 Overview of Pillar Two measures with the potential to achieve environmental objectives

Rural Development Programmes (RDPs) funded under Pillar Two are seen as an important mechanism for delivering biodiversity and other environmental objectives including greenhouse gas mitigation in the agricultural sector and rural areas.

Among the formal objectives to be served by the RDPs, those of particular environmental relevance as listed in Article 2 of the Rural Development Regulation (RDR, Regulation (EC) 1257/1999) are:

(1) maintenance and promotion of low-input farming systems;

(2) preservation and promotion of a high nature value and a sustainable agriculture respecting environmental requirements;

(3) encouragement of non-food production; and

(4) sustainable forest development.

2.3.1 Good Farming Practice (GFP)

Regulation (EC) 1257/1999 and its implementing Regulation (EC) 1750/1999 recasted by Regulation (EC) 445/2002 together require that farmers entering into agri-environment commitments, or in receipt of the Compensatory Allowances under Less Favoured Areas (LFA) schemes, respect Good Farming Practice (GFP) across the whole farm. Codes of GFP are also the baseline requirement for farmers wishing to participate in agri-environment schemes (Article 23, 2 of Regulation (EC) 1257/1999). Thus, GFP acts as a baseline standard for which no payments are made. Article 28 of Regulation (EC) 445/2002 defines GFP as follows:

"…'Usual good farming practice' means the standard of farming which a reasonable farmer would follow in the region concerned.

Member States shall set out verifiable standards in their rural development plans. These standards shall at least entail compliance with general mandatory environmental requirements."

GFP standards are defined by Member States at national level. According to Regulation (EC) 445/2002 for the implementation of the Rural Development Regulation, verifiable standards for control of compliance with GFP have to be established by Member States in Rural Development Plans (RDP). Standards 'shall represent at least compliance with general mandatory environmental requirements'. In most Member States the GFP standards cover mandatory standards resulting from national legislation (often at least partly derived from EU Directives). Some Member States have included in their GFP additional standards relating to the protection of soil, biodiversity and/or landscape. The definitions of GFP vary greatly between Member States and do not appear to have been applied very strictly in many cases. Several of the requirements set by Member States are only recognised as recommendations, and where the requirements are made statutory they are not always measurable and therefore are difficult to monitor, control and enforce.

The information available on the effects of GFP measures is very limited. There are no formal requirements on reporting by Member States on how compliance with GFP is designed and enforced, leading to a lack of transparency and possibly large differences in effectiveness. According to the Commission's 2004 report on the implementation of the Biodiversity Action Plan for Agriculture (European Commission, 2004c) only a few standards put forward are clearly measurable, so that they can be subject to on-the spot inspections in the control or audit authorities of Member States or the EU. Usually Member States specify only a few such verifiable standards, most often in relation to the use of fertilisers and pesticides. Some countries have established verifiable standards for soil protection and two have standards to prevent over-grazing.

2.3.2 Agri-environment schemes

Agri-environment programmes were introduced by the McSharry reform of the CAP in 1992 and continued under subsequent reform. These schemes remain the only EU obligatory rural development measure for Member States. Participation by farmers or other land managers is voluntary.

Support under this measure is granted to farmers who commit themselves for a period of at least five years to use agricultural production methods designed to protect the environment or maintain landscape features, as determined by the rural development programme of the country or region concerned.

The Rural Development Regulation (RDR) lists types of activities that can be supported under such schemes:

– ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity;

– an environmentally-favourable extensification of farming and management of low-intensity pasture systems;

– the conservation of high nature-value farmed environments which are under threat;

– the upkeep of the landscape and historical features on agricultural land;

– the use of environmental planning in farming practice.

Member States are free to determine priorities they wish to address through such schemes in their territory, specify the farming methods and activities they require, and choose the geographical coverage of each scheme.

There is a great variety in the design of schemes between and within the Member States. Some of the schemes concentrate on conservation of farmed semi-natural habitats of high nature value, all Member States support conversion to organic farming, reduction in agricultural inputs, the maintenance of certain landscape features and endangered breeds of farm animals. The schemes are co-financed from the EU budget, at the rate of 85 percent in Objective 1 areas, and 60 percent in all other areas. The remaining funds have to be provided by the national or regional budgets of Member States. Financing for agri-environment schemes in the period 2000-2002 accounted for 29 percent of total EAGGF expenditure for Pillar Two measures.

Payments to farmers should be calculated on the basis of income foregone, additional costs resulting from the environmental commitment, and the need, if any, to provide an incentive to participate – up to a maximum of 20 percent of the total payment. Maximum rates of support under agri-environment schemes are set at € 600 per ha for annual crops,

€ 900 for perennial crops, € 450 for other land uses and € 200 per livestock unit where schemes support the upkeep of endangered animal breeds. In the years 2000-2003 the average payment amounted to € 89 per ha.

From the outset agri-environment schemes were designed as a flagship policy tool for addressing environmental concerns on agricultural land. More than 10 years of their implementation show that the scope and especially geographical coverage of the schemes varies greatly between Member States. These differences reflect more upon the political priorities of the Member States concerned than the severity of the environmental problems encountered. In 2003, 29 percent of the EU-15 utilised agricultural area (UAA) is covered by management agreements under agri-environment schemes. Despite the gradual increase in the funds available for these schemes from the EU budget in some countries the demand for entering them exceeds the funding available. The area subject to management agreements varies greatly between Member States. In Greece, Spain and the Netherlands less than 10 percent of UAA is covered by agri-environment schemes, while in Luxemburg, Austria and Sweden more than 75 percent.

The scope of agri-environment schemes and programmes varies widely between Member States and it is not possible to give an overview of all the measures applied in this report. The issues that agri-environment schemes are most frequently used to address are:

- Reduction of inputs (mainly fertilisers and pesticides), including support for integrated production;
- Extensification of existing management (e.g. reducing stocking rates);
- Support for conversion to and continuation of organic farming;
- Management aiming at protection or enhancement of biodiversity, including conversion from arable land to permanent grassland;
- Maintenance or restoration of landscape features (e.g. hedges);
- Support for maintenance and increase in numbers of rare breeds of livestock, and, less frequently, crops.

In some countries/regions soil erosion and water use are addressed through agri-environment programmes.

2.3.3 Less favoured areas (LFA)

The original design of the less favoured areas (LFA), dating back to 1975 (Directive 75/268/EEC) was driven by threats to the continuation of farming in areas with natural handicaps (very difficult climatic conditions, areas of steep slopes or a combination of these two factors) where, due to higher production costs, farming was becoming vulnerable. Over time, this instrument has evolved into a measure that is equally important for maintaining viable rural communities in a social or economic sense and as a mean to maintain landscapes, which depend on farming in such areas. The major categories of 'regular' LFAs are mountain LFAs and so called 'other' LFAs, where production conditions are difficult due to shorter growth periods, poor soil quality and permanent water deficiencies, for example. The two most recent reforms of the CAP have introduced and expanded previous definitions of the LFA. The objectives of support under the LFA schemes are listed in Article 13 of the RDR:

- to ensure continued agricultural land use and thereby contribute to the maintaining of a viable rural community;
- to maintain the countryside;
- to maintain and promote sustainable farming systems which in particular take account of environmental protection requirements;
- to ensure environmental requirements and safeguard farming in areas with environmental restrictions.

Farmers applying for support in LFAs (known as compensatory allowances) have to commit to continue farming activity for at least five years, and are obliged to adhere to the standards of GFP as defined by the member state concerned.

More than half of the EU-15 UAA is designated as LFA, but not all land in the designated areas is eligible for LFA compensatory allowances, minimum size of a holding or a plot are some of the limiting eligibility criteria. Especially in the southern Member States, relatively low proportion of farms in the LFAs receive payments, partly due to the minimum eligible size of holding of two hectares and partly due to budgetary limitations. In the period 2000-2002 LFA payments accounted for 11 percent of the total EAGGF expenditure on Pillar Two measures. The LFA schemes covered a total area very close to that subject to agri-environment measures in the EU-15, namely over 30 million hectares, on over one million holdings. No data is available yet on the new Member States where sizeable LFAs have been established. In the years 2000-2003 an average LFA payment amounted to € 71 per ha, with huge variations from less than € 25 in Spain and the UK to nearly € 200 per ha in Finland.

Special LFAs

Article 16 of the RDR allows Member States to establish a separate category of LFA in areas where farmers are subject to restrictions on the use of agricultural land as a result of the implementation of the birds and habitats Directives, i.e. in the areas designated under the Natura 2000 network.

In addition to the above, Article 20 of the RDR provides for one further type of LFA, for the areas affected by specific handicaps, in which farming should be continued, where necessary and subject to certain conditions, 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. The total area covered by the ‘special’ LFAs designated under Article 20 cannot exceed 10 percent of the area of the Member State concerned.

Because a significant proportion of ‘regular’ LFAs are designated in areas where extensive livestock farming is the most widely spread production system, LFA schemes’ contribution to the maintenance of many semi-natural agricultural habitats of high nature value is significant, even where environmental objectives are not the main driver behind the designation of these support schemes. LFA payments help to make farming a more economically attractive land use than forestry in many parts of Europe.

2.3.4 Investments in environmental protection

The RDR gives Member States two opportunities to support investments targeted at environmental protection. One of the measures allows aid for investment in agricultural holdings, based on Article 4, with preserving and improving the environment a clear objective of the Regulation. Article 33 allows Member States to provide aid for any other measures relating to farming activities and their conversion with reference to the broader protection of the environment in connection with agriculture, forestry and landscape conservation. Chapter IX of the Regulation also allows for investments in agricultural water resources management and support for marketing of quality agricultural products.

2.3.5 Afforestation of agricultural land and other forestry measures under CAP

Support for afforestation of agricultural land at the EU level was introduced by the McSharry reform of the CAP in 1992, under Regulation (EC) 2080/92. The objectives of this measure were to promote alternative use of agricultural land and the development of forest-based enterprises, to improve the environment and to increase the absorption of carbon dioxide.

Application of this measure was optional for Member States; the aid schemes could provide payments covering:

- The initial costs of afforestation;
- Maintenance costs for the first five years;
- Annual payments compensating farming income forgone for up to 20 years;
- Improvement of specific types of woodland (eg shelterbelts, fire breaks) and some infrastructure (eg forest roads).

Within the period 1993-96 over 500 thousand hectares of agricultural land were afforested under Regulation (EC) 2080/1992, with more than half of the area afforested in Spain, the UK, Ireland, Portugal and Italy. France and Germany have also utilised this measure, but its application in other Member States was very limited.

The Agenda 2000 reforms added some new measures applicable to forestry, including them in the rural development Regulation (EC) 1257/1999. In addition to support for afforestation (Article 31) Member States could introduce support for investment to improve the multifunctional role of forestry (Article 30) and support improvement of forest protection values (Article 32). However, afforestation is to be seen critically in LFAs where there is already a high proportion of forestry.

While in some Member States afforestation remained the main forestry related measure (Ireland, the UK, Denmark, Italy, Portugal) other Member States put more emphasis on other forestry measures (e.g. Luxembourg, Austria, Sweden, France). In the rural development programming period 2000-2006 Italy and Spain programmed the largest afforestation expenditure amongst Member States, with significant support planned for other forestry measures. Ireland and the UK planned mainly for substantial afforestation schemes, while Germany developed a significant forestry component to its rural development programmes, with far more budgetary resources dedicated to other forestry measures than to afforestation.

Afforestation schemes were also incorporated into SAPARD[4] programmes and rural development programmes for the years 2004-06 by most of the candidate countries and new Member States.

2.3.6 Training

Member States may include in their programmes new schemes aimed at the improvement of vocational training for farmers based on Article 9 of the RDR. According to the Regulation such schemes shall contribute to the improvement of the occupational skill and competence of farmers and other persons involved in agricultural and forestry activities. The objectives include preparing farmers for the qualitative reorientation of production, and the application of environmentally sensitive production practices. EU expenditure on training measures in the RDPs over the period 2000-2006 amounted to 0.7 percent of the total Pillar Two funds.

[4] SAPARD – Special Accession Programme for Agriculture and Rural Development was implemented in the current New Member States, Bulgaria and Romania. Range of support measures and general rules are similar to those under Regulation (EC) 1257/1999, with greater focus on modernisation of food industry in order to meet the EU standards, and broader rural development. Agri-environment schemes were implemented only in some countries.

During 2001, 14 percent of the training actions approved for co-financing by the EU within Rural Development Programmes were aimed at preparing farmers for the application of production practices compatible with the protection of the environment and the maintenance and enhancement of the landscape. In the Netherlands (78 %), Sweden (70 %) and Italy (68 %) agri-environment is the most important type of training, while in Spain (6 %), Finland and the UK (13 %) and Austria (16 %), agri-environment training under this measure has less priority than training on economic aspects of farm management. In Germany and France around half of the training actions are related to environmental issues (EEA, 2004).

2.3.7 Promotion of processing and marketing of agricultural products

Chapter VII (Articles 25-28) of the RDR provides Member States with an opportunity to support measures aimed at improving the competitiveness of farmers and the food sector by improving the processing and marketing of agricultural products. Together with the provisions of Article 33 Member States can choose to support the marketing of quality products, produced in ways compatible with the objectives of environmental protection. Organic farming or some traditional low-input farming systems could serve as examples where support for the marketing of their products would help in achieving environmental objectives. Close integration of other support measures, such as agri-environment and LFA schemes with the promotion of marketing of quality products would be very commendable from the point of view of improving the efficiency and sustainability effect of such measures.

3. The 2003 Reform of the Common Agricultural Policy

The 2003 reforms of the Common Agricultural Policy will result in a shift from production support to decoupled support, with stronger requirements for farmers to adhere to environmental, animal welfare, food safety and occupational safety requirements (compulsory cross compliance). Compulsory modulation (shifting funding from Pillar One to Pillar Two) and national envelopes (allowing up to 10 percent of Pillar One money to be used to support types of farming important for the environment) will increase the levels of funding available for environmental measures. These reforms are a significant advance in terms of environmental policy integration and, depending on implementation at Member State level, could result in environmental improvements. In addition, the proposed draft of EU spending plans for the years 2007-2013 shows a significant increase in the proportion of funds for rural development, bringing it up to 24 percent of the total CAP budget by 2013.

However, given that a large proportion of rural development spending will be allocated to new Member States based on GDP criteria, it is not very likely that the actual amounts for the EU-15 will be significantly higher than currently, if higher at all. The split of funds between different rural development measures after 2006 is impossible to assess at the moment; the proposal for a new European Agricultural Fund for Rural Development (EAFRD), the successor to the Rural Development Regulation, is currently being discussed and even provisional financial allocations per member state are not proposed yet.

The total amount of the EU budget in the next financial perspective 2007-13 is currently subject of discussion, and its outcome will have implications for the total amount of funds available for rural development (see Section 3.2.3). Since the 2003 Pillar One reforms only entered into force in January 2005, and the 2004 proposals for reform of Pillar Two are still in draft, it is difficult to predict how some of these policy tools will work in practice and what impact they will have on production patterns in the enlarged EU, and land management decisions in general. This section of the paper attempts to provide an overview of the key changes decided in the 2003 reform of Pillar One and current state of choices made by Member States in adopting different options available within the framework of this reform. The current proposals from the Commission for reform of Pillar Two from 2007 are outlined in Section 3.2.

3.1 CAP reform 2003 of Pillar One support

Key elements of the reformed CAP as envisaged by the European Commission (2003):

– A single farm payment for EU farmers, independent from production; limited coupled elements may be maintained to avoid abandonment of farming;

– this payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),

– a strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005;

– a reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy;

– a mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot;

– revisions to the market policy of the CAP:
  - asymmetric price cuts in the milk sector: The intervention price for butter will be reduced by 25% over four years, which is an additional price cut of 10% compared to Agenda 2000, for skimmed milk powder a 15% reduction over three years, as agreed in Agenda 2000, is retained,
  - reduction of the monthly increments in the cereals sector by half, the current intervention price will be maintained,
  - reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors.

Details of specific mechanisms prescribed by the 2003 CAP reform for implementation Pillar One support are summarised in Table 4.

Table 4: Common Agricultural Policy Reform 2003: Important Changes

	Status quo (Agenda 2000)	CAP-reform 2003
Single Farm Payment	Direct payments linked to arable land or animal number; production necessary.	Single decoupled farm income payment from 2005 onwards, including arable payments and beef premia and starting in 2006/07 also milk premium; Base period 2000-2002; Eligible land must not be used for growing fruit and vegetables or table potatoes; Application can be postponed till 2007, if justified; Premium rights can be transferred.
Regionalisation		Regionalisation can be used to allocate uniform payment entitlements by taking into account all eligible hectares or to vary payments between grassland and arable land; Redistribution between regions is possible; Member States with less than 3 Mio. ha can be considered as one region.
Options		Optional derogations may be applied by Member State at national or regional level - 25% of hectare payments or, alternatively up to 40% of supplementary durum wheat aid - 50% of sheep and goat premia - 100% of suckler cow premium and up to 40% of slaughter premium, or instead, 100% of the slaughter premium or 75% of the special male premium can be kept coupled. Member States may also grant 10% of national ceiling as sector-specific payment in order to promote farm activities important for enhancing environment or improving quality and marketing of agricultural products (National Envelope).
Set-aside	Compulsory set-aside of 10% for arable crops, exempting small-scale producers (92t of reference yield); Voluntary set-aside up to 33%.	Farmers receive set-aside payment entitlements based on historical set-aside obligations which can be activated only by an eligible hectare put into set-aside; Voluntary set-aside up to 100%; Reduced minimum size at 0.1 ha and 10m width; Organic farmers are exempted from set-aside obligations.
Cross Compliance	Optional use of reductions of direct payments for enforcing 'specific environmental requirements'.	Reduction of direct payments in case of non-respect of: obligations arising from EU standards in the field of environment, food safety, animal health and welfare; requirements to maintain land in good agricultural and environmental condition.
Farm Advisory System	The establishment of a certification system is an option.	Setting-up of farm advisory system compulsory for Member States by 2007; participation for farmers voluntary.
Modulation	Optional reduction of direct payments up to 20 %; Remains in Member States to be spent on accompanying measures.	Modulation starts with a rate of 3 % in 2005, 4 % in 2006 and stays at 5 % from 2007onwards (franchise of 5000 €); Modulation money will be used for rural development; Allocation according to objective criteria and Member States will receive at least 80 % of their contribution to modulation; an additional voluntary modulation may be applied upon member state decision.
Financial Discipline		Starting in 2007, direct payments will be reduced when forecasts indicate an overshoot of the budget ceiling for heading 1a (safety margin of 300 Mio. €).
Pillar Two	Co-financed measures for agri-environment, young farmers, investment aid, afforestation and related fields; EU share 50 % or 75 % in Objective 1 areas.	Additional measures in the fields of food quality and animal welfare; EU share maybe increased to 60 % or 85 % (now upper limit and not fixed rates anymore); Investment in state owned forests may be supported for ecological reasons.
Cereals	Intervention price at 101,31 €/t; Direct payments at 63 €/t multiplied with reference yield; Monthly increments (7 steps each adding 0,93 €/t to the intervention price).	No change of the intervention price; cut of monthly increments by 50 %; Abolition of rye intervention, but compensation via increase in share of modulation money.
Oilseeds	Same acreage payments as grains.	
Energy crops	Non-food regime on set-aside land (contract with processor required)	45 €/ha for energy crops (contract with processor required) up to 1.5 Mio. ha in the EU; Growing on set-aside land still possible but without energy crop premium.
Beef	Basic price at 2224 €/t with private storage possible at 103 % of this price; Headage payments: steers 150 € (two payments), bulls 210 €/year, suckler cow 200 €/year; Slaughter premium of 80 € and of 50 € for calves; Eligibility criteria: up to 1,8 LU/ha, head limit of 90 (with derogation); Extensification premium of 100 € per unit with stocking rates below 1,4 LU/ha.	Regional adjustments (Austria, Portugal, Italy); Beef premia part of the single farm payment, but options for coupling remain.
Milk	Milk quota valid until 2008; Intervention price cut by 15 % from 2005/06; Milk premium raises from 2005/06 stepwise to 25,86 €/t; Increase in milk quota by 2,39 %.	Milk quota prolonged until 2014/15; Intervention price cut for butter by 25 % and for skim milk powder by 15% from 2004 until 2007; Milk premium raises from 11,81 €/t in 2004 to 35,5 €/t in 2006 thereafter part of the single farm payment; Increase in milk quota partly postponed.

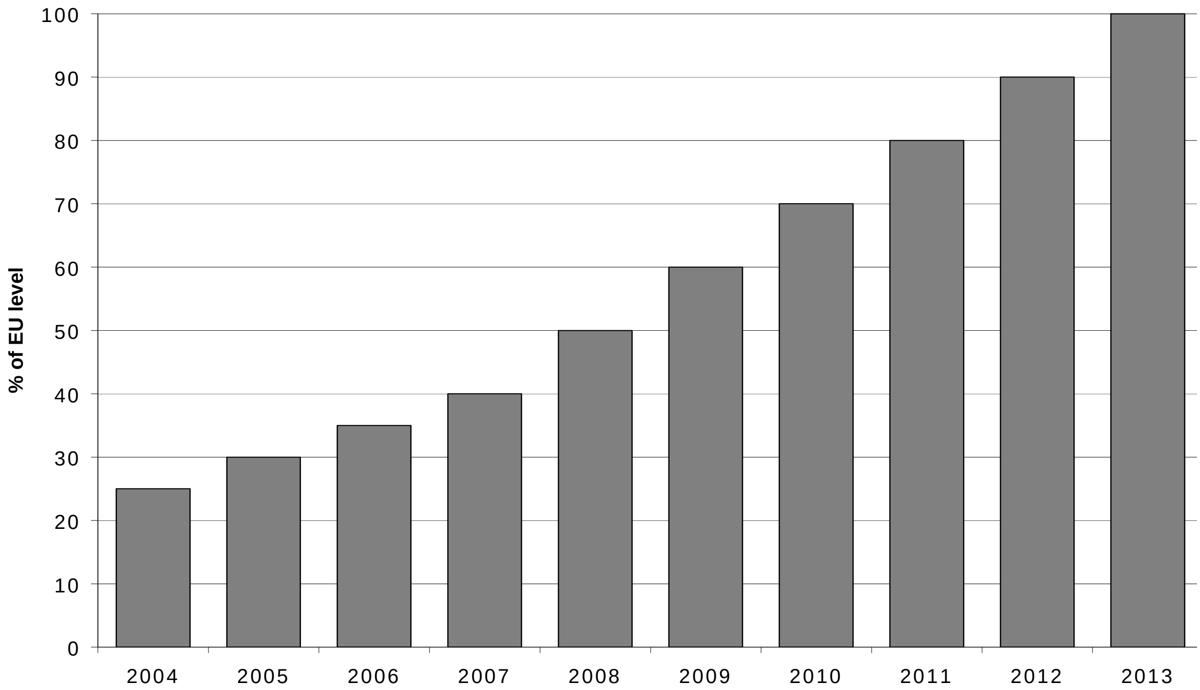
Source: European Commission, 2003.

The three key elements of the 2003 CAP reform of Pillar One, set out in Regulation (EC) 1782/2003 are decoupling, compulsory modulation and cross compliance. Modulation and cross compliance are not new to the CAP but were only voluntary measures and were applied by very few Member States. Member States with historical reference information for direct payments - all those in the EU at the end of 2003 - will operate a Single Payment Scheme (SPS).

New Member States introduction of EU direct payments

Farmers in the new Member States qualify to receive direct payments from their first year as members of the EU. However, these will be phased in over a 10-year period as shown in Figure 7 below. By 2013 the direct payment rates of farmers in the new Member States will be aligned with those of the EU-15. It is not possible to say at the outset what the actual payment amount will be in a given year as base area is determined by the land in good agricultural and environmental conditions. The national budget ceilings for the year 2005 to finance the EU direct payments are given in Table 6 in section 3.1.1.

Figure 7: Direct payments - level in new Member States (phased in over 10 years)



Source: European Commission (2004f).

During the phasing-in period new Member States can (in agreement with the Commission) top up EU direct payments, using complementary national direct payments, via one of two options (European Commission, 2004):

- Option 1: by a maximum of 30 %, providing the combined amount does not exceed the level applying in the EU-15 (e.g. Poland);
- Option 2: up to the level that applied before accession in a particular country, plus 10 %, again providing the combined amount does not exceed the level applying in the EU.

From 2004 until 2006 new Member States can use part of their rural development funds (up to 20 %), which are co-funded by the EU, for this purpose (compare Figure 6 in section 2.3).

New Member States were given an option to apply a simplified system of flat rate regional payments called the Single Area Payment Scheme (SAPS). However, they will have to adopt SPS by 2009 at the latest when the base area might be changed. Only Malta and Slovenia have decided to adopt SPS from the beginning of their EU membership, with a regional model that distinguishes flat rate payments between arable land and grasslands.

SAPS involves payment of a uniform amount per hectare of agricultural land. The level of the per hectare payment shall be calculated by dividing the national financial envelope by the utilised agricultural area. As is the case with the single farm payment, farmers in the new Member States that apply the SAPS system have no obligation to produce, but they must keep the land in good agricultural and environmental condition (comparable to Annex IV of cross compliance). But the new CAP reform rules on cross-compliance according to Annex III are optional under SAPS.

3.1.1 Decoupling

Decoupling is the key measure under the 2003 reform but it is not compulsory to apply in full. Various options are open to Member States to adopt partial decoupling.

Decoupling breaks the link between the production of a specific agricultural commodity and the receipt of direct payments. From 1 January 2005, eligible farmers will receive one payment rather than several separate production based payments. In order to receive decoupled support under SPS or SAPS farmers will have to comply with a range of EU Directives and Regulations and a set of standards relating to the ‘Good Agricultural and Environmental Condition’ of their land (cross compliance).

Under SPS, Member States can retain coupled support up to a certain percentage, and are allowed to skim off funding from direct payments in order to create national envelopes and increase funds to support rural development measures in Pillar Two beyond the compulsory level of modulation.

The two main possibilities under SPS are the single farm payment based on historical receipts (Regulation (EC) 1782/2003, Article 33 et seq.) and flat rate area payments (Article 58 et seq.). These forms of implementing decoupled payments have not only different distributional effects between farms and regions, but also impacts on land management and the area controlled through cross compliance. In opting for payments according to Article 58 it is possible to introduce a hybrid-system consisting of both of the former options. In several Member States this option has been and will be described in the discussion about the implementation in individual Member States.

If the historically based single farm payment is introduced, which will be the case in more than half of the EU-15, there is an incentive for farmers to reduce - if possible –the base area for which they will receive payment entitlements by excluding some land, in order to increase the payment per hectare. However, the single farm payment is fixed according to the individual historic baseline of the years 2000-2002. Only eligible farm land registered in the Integrated Administration and Control System (IACS) during this period will be taken into account when calculating entitlements[5]. The inclusion of grassland is especially important for the area included into the new support system, as registration of grassland has been less complete compared to arable land. At least in some regions of Germany, a significant share of grassland is not included in the IACS records so that exclusion of grassland would be possible. In regions where less favoured area support and agri-environment payments under Pillar Two are important, most grassland has already been registered as IACS registration was a prerequisite for receiving payments in the past. The same is true for arable land subject to direct payments for arable crops under Pillar One.

The concentration of entitlements on less land leads to higher payment per hectare and to a higher independence of land owners, because less land is needed to activate the payment. As a result, more land may be excluded from payment entitlements. In addition, when implementing the single farm payment certain crops (sugar beets) receive no payments, but are eligible to activate payment entitlements. Land users without direct payments in the reference period will not receive payment entitlements, but still can own eligible land, e.g. horse owners with grassland. Another aspect is the inclusion of landscape features into the eligible area. In case this inclusion occurs after the determination of the area with entitlements, landscape features will constitute additional eligible area, increasing the gap between land area subject to entitlements and area of eligible land. Thus, eligible land for activation of payment entitlements will possibly exceed the number of hectare-based payment entitlements to a significant extent. Eligible land introduced into IACS after the end of the reference period will not receive entitlements, but may be used for the activation of payments.

Where flat rate area payments or a hybrid system are introduced, farmers will have a stronger incentive to increase their eligible land area, as for each additional hectare they will receive an additional area based payment entitlement. Unlike under the historically

[5] Each farmer under this implementation system will be granted certain (individual) level of payment per hectare of land, and a certain (individual) land area that will be needed to activate the payments. While the payment per hectare for a given farmer will remain constant (with gradual reductions where modulation applies), payments can be activated on other eligible land than the land for which the payments were initially allocated, thus encouraging trading of payment entitlements.

based payment system, the entitlements are assigned to all registered land as well as “new” eligible land for the first time registered in May 2005. Thus, little area will remain without payment entitlements, but payments per hectare are “diluted” because more land is covered by the system. The incentive to activate additional area not included in the IACS records in the hybrid-systems depends on the level of the area payment. In the case of low grassland payments this incentive may be too low to reach all eligible land, and farmers may even try to decrease their farm area in their application in 2005. Furthermore, the time period to legalise additional area as farm land is rather short and will end by mid May 2005. As in the historically based single farm payment system, agricultural land “discovered” after the start of the decoupled system will not get payment entitlements under the flat rate payment scheme but can be used to activate transferred payment entitlements. In conclusion, in both systems a significant share of potentially eligible land may remain without payments rights, which is a precondition for transfer and reallocation of entitlements (see chapter 4.1). Depending on the gap between area covered by payment entitlements and area of eligible land, and due to transfer of entitlements, cross compliance requirements for direct payments will have influence on land management decisions on different proportions of land in different regions of the EU, but will be applicable to most of the agricultural land.

Table 5 summarises how each of the EU-15 Member States applying SPS appears to be approaching the implementation of this new system. It outlines whether a regional model has been chosen, whether a historical or hybrid model of calculating the single farm payment has been adopted, and which premia will continue to be coupled to production. It should be noted that this table is correct to the best of the author’s knowledge at the time of writing (February 2005), but may not represent the final outcome. Some changes may still occur.

Table 5: Summary of Member States' approaches to the Single Farm Payment (SFP)

Country	Regional Option	SFP Model	Effect of Model:	Coupling for:
Austria	No	Historical Start: 2005	The payment is based on the historical farmers' receipts.	Suckler cow premium (100%), Calf slaughter premium (100%), Adult slaughter premium (40%), Hops (25%). Dairy payment included from 2007.
Belgium	Flanders	Historical Start: 2005	The payment is based on the historical farmers' receipts.	Flaxseed (100%), Suckler cow premium (100%), Calf slaughter premium (100%). Dairy decoupled from 2006
	Wallonia (including Brussels)	Historical Start: 2005		Flaxseed (100%), Suckler cow premium (100%). Dairy decoupled from 2006.
Denmark	Yes (one region)	Hybrid Start: 2005	Two area payments: €310/ha flat rate payment for arable and rotational grassland. €67/ha flat rate payment for permanent grassland. A first supplement consisting of 64 % of the suckler cow premium, the slaughter premium, the extensification premium and the national envelope as well as 16 % of the special premium for male cattle is historically based. Another supplement consists of 59.5 % of the dairy premium in 2005 and 73 % of the dairy premium thereafter.	Male beef special premium (75%);Ewe premium (50%); Dried Fodder (50%); Potato Starch premium (60%)
Finland	3 regions (North, Central, South)	Hybrid Start: 2006	85% of all direct payments as flat rate hectarage payment with farm specific historical top up for dairy (70%) & male beef premium (25%). Top up to be phased out over 10-12 years, when flat rate will account for 94% of direct aid.	Male beef premium (75%) Potato Starch premium (60%) To be decided for: Seeds (100%) Sheep and goat premium (50%)
France	No	Historical Start: 2006	The payment is based on the historical farmers' receipts.	Suckler cow premium (100%), Calf slaughter premium (100%), Adult slaughter premium (40%), Arable Aid (25%), Sheep and goat premium (50%). 100% coupling for all payments in the outermost regions. Milk premium to be included in the decoupled SFP from 2006.

Table 5: continued...

Country	**Regional Option**	**SFP Model**	**Effect of Model:**	**Coupling for:**
Germany	13 Regions, by Länder	Transitional Hybrid Start: 2005 NB Level of payments will differ between regions and some redistribution will be carried out.	Most premia will fuel into a flat rate premium which is allocated to permanent grassland and other area according to a regional coefficient. Between 2010 and 2013 the difference between the flat rate premium for permanent grassland and other area will be eroded and the top up will be included, resulting in a regional flat rate payment for all eligible area on the average of about 328 €/ha. The top up is based on farmers' historical receipts consisting of the special male beef premium, the suckler cow premium, the calf slaughter premium, the sheep and goat premium, the dried fodder premium, 50% of the extensification premium, 25% of the potato starch premium and 40% of the tobacco payments.	Hops (25%), Tobacco (60%) until 2009.
Greece	No	Historical Start: 2006	Not known.	Considering: Durum wheat (40%) Ewe premium (50%) Olive Oil and Tobacco (50%) Cotton (45%)
Ireland	No	Historical Start: 2005	The payment is based on the historical farmers' receipts.	
Italy	No	Historical Start: 2005	The payment is based on the historical farmers' receipts.	Tobacco (% not specified), Seeds (% not specified). Use of national envelope. Milk premia decoupled from 2006
Luxembourg	Yes (one region)	Hybrid Start: 2005	Flat rate payment €90 - €95 / ha in 2005. Dairy cow and suckler premiums 85% historically. Other sectors (arable, male beef, slaughter and ewe premia) will receive 65% historically based.	
Netherlands	No	Historical Start: 2006	The payment is based on the historical farmers' receipts.	Calf slaughter premium (100%), Adult cattle (40%) (both until 2010; thereafter decoupled), Linseed seed aid (100%). Dairy decoupled from 2007.
Portugal	No	Historical Start: 2005	The payment is based on the historical farmers' receipts	Special male beef premium (100%), Slaughter premium (40%), Sheep and goat premium (50%), Seeds (100%). 100% coupling in Azores /Madeira. Use of national envelope. Dairy decoupled from 2007.

Table 5: continued...

Country	Regional Option	SFP Model	Effect of Model:	Coupling for:
Spain	No	Historical Start: 2006	The payment is based on the historical farmers' receipts.	Suckler cow premium (100%), Calf slaughter premium (100%), Adult slaughter premium (40%), Arable Aid (25%), Sheep and goat premium (50%), Tobacco (60%). Milk premium to be included in the decoupled SFP from 2006.
Sweden	5 regions	Hybrid Start: 2005	Historical allocation of aid for: Suckler cows (50%) Extensification (50%) Slaughter premium (40%) Dairy (67.5%) (from 2007) All else contributes to regional area payment: Full arable premium; Full sheep and goat premium; 60% of Slaughter premium; 50% of Suckler Cow premium; 50% of extensification premium; 32.5% of dairy premium Amounting to €125/ha for permanent pasture; between €125/ha to €255/ha for other land.	Special beef premium (75%) coupled until 2009. Dairy payments (67,5%) coupled until 2007. Use of national envelope.
UK	England	Transitional Hybrid Start: 2005 (transition from historic to flat rate regional payment by 2012)	Payment will be 10% regional and 90% historic in 2005. In 2006 area payment will be 15%, increasing at intervals of 15% until 2012 in 3 zones: 1. Severely disadvantaged areas (SDAs) (£30/ha) 2. Moorland areas within the SDAs (£135/ha) 3. Non SDAs (£220/ha)	
	Scotland	Historical Start: 2005	The payment is based on the historical farmers' receipts..	Use of national envelope.
	Wales	Historical Start: 2005	Payment will be based on regional average of historical receipts.	
	Northern Ireland	Hybrid Start: 2005	Area payment topped up with payment based on farmer's historical receipts. Basic area payment of €68/ha fuelled from: 50% of Beef special premium 50% of Slaughter premium 35% of sheep premium 80% of LFA sheep supplement 20% of Arable Area premium. The remaining (around 80%) will be a top up based on farmer's historical receipts.	

Source: Agra Europe (2004, 2005) and national information (collected by IEEP and FAL). The information contained in this table is correct to the best of our knowledge (Feb. 2005)

The payment entitlements allocated to farms will be tradable within defined regions and can be activated on any eligible agricultural land. The effects of trade in payment entitlements will be discussed in section 4.1.

In Regulation (EC) 118/2005 the budgetary ceilings for partial and optional implementation of the SPS and the annual financial envelopes for SAPS are provided. The national ceilings for the EU-15 are set in Annex I for the years from 2005 until 2013 as shown in Table 6. For the new Member States only the figures for 2005 are shown. Detailed information about the amounts available for coupled payments are given for those ten Member States which start to implement the new SPS in 2005. For the other Member States implementing the SPS payment specific budgetary ceilings are given for 2005.

Table 6: National budgetary ceilings according Regulation (EC) 118/2005 in € 1000

	2005	**2006**	**2007 - 2009**	**2010 -**
Austria	613 000	614 000	712 000	712 000
Belgium	411 053	530 573	530 053	530 053
Denmark	943 369	996 165	996 000	996 000
Finland	467 000	467 000	552 000	552 000
France	7 199 000	7 231 000	8 091 000	8 099 000
Germany	5 148 003	5 492 201	5 492 000	5 496 000
Greece	838 289	1 701 289	1 723 289	1 761 289
Ireland	1 260 142	1 322 305	1 322 080	1 322 080
Italy	2 539 000	3 464 517	3 464 000	3 497 000
Luxembourg	33 414	36 602	37 051	37 051
Netherlands	386 586	386 586	779 586	779 586
Portugal	452 000	493 000	559 000	561 000
Spain	3 266 092	4 065 063	4 263 063	4 275 063
Sweden	637 388	650 108	729 000	729 000
United Kingdom	3 697 528	3 870 420	3 870 473	3 870 473
EU-15 total	**27 891 864**	**31 320 829**	**33 120 595**	**33 217 595**
Slovenia	35 800			
Malta	496			
SAPS:				
Czech Republic	249 296			
Cyprus	14 274			
Estonia	27 908			
Hungary	375 431			
Latvia	38 995			
Lithuania	104 346			
Poland	823 166			
Slovak Republic	106 959			
EU-25 total	**29 668 535**			

Source: Own presentation of Regulation (EC) 118/2005.

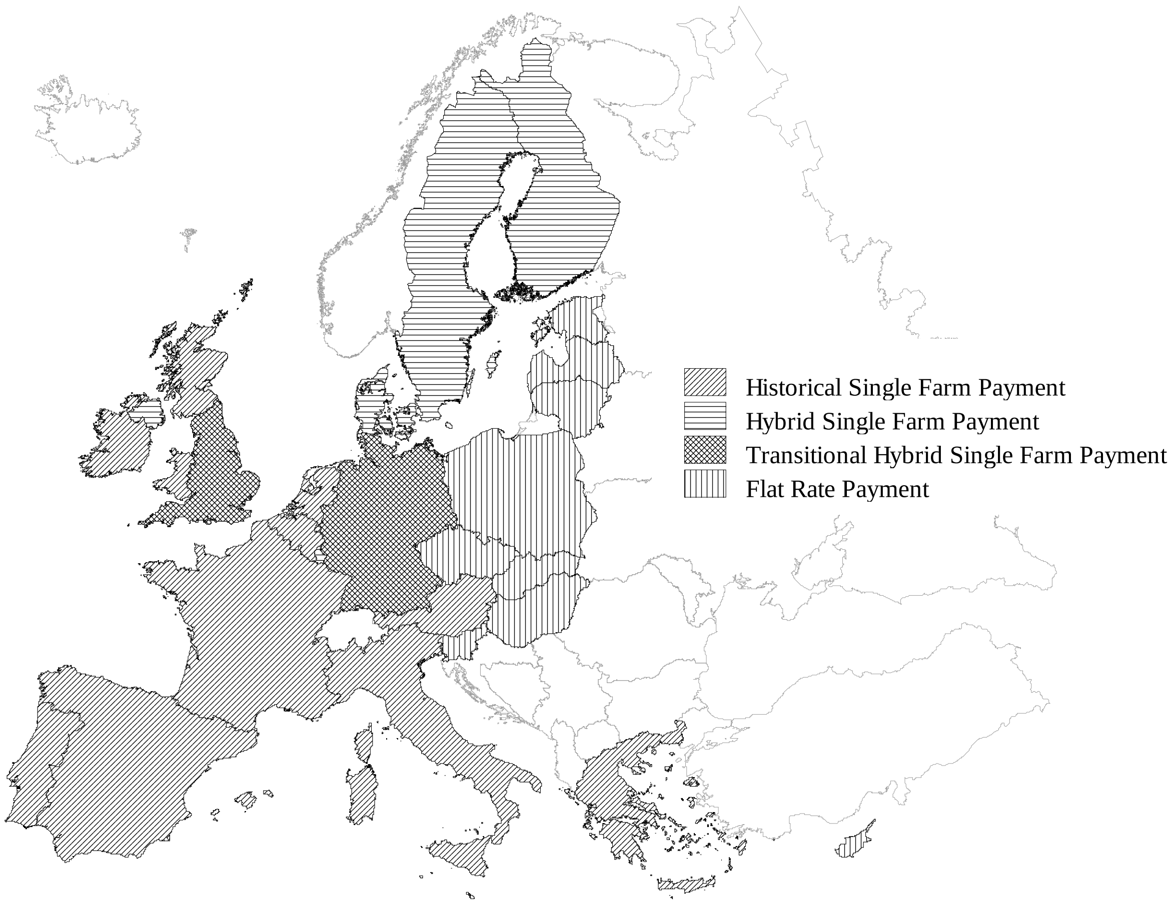
In the new Member States applying SAPS, only the land that was in a Good Agricultural and Environmental Condition (GAEC) in June 2003 is eligible for payments. It should be possible in subsequent years to claim SAPS on 'new' land provided it was in GAEC in

2003. The annual Pillar One budget for each new member state is already fixed but the total area for which claims are made may be larger in future years than in 2004, for several reasons. Some farmers will have failed to get their claims in on time, the use of marginal land will fluctuate with market returns and other economic factors, and temporarily abandoned land may return into use. The per hectare payments for 'new' SAPS claims will be financed from a national reserve created by withholding up to 3 percent of the total budget each year. If this is not sufficient in any one year the payment rates to all farmers will be reduced proportionately. SAPS provides an incentive for land managers to enrol all eligible land into the system to maximise receipts.

It should still be possible to enrol into the SPS in future agricultural land which failed to meet the GAEC eligibility criteria in 2004 under SAPS, but meets the eligibility criteria (by then full cross compliance) at the time when the eight new Member States will be moving from the SAPS to the SPS. The conversion from one scheme to the other will have to be completed by the end of 2008.

To summarise the different application of the single farm payment in the Member States the following map gives an overview.

Map 1: Implementation of the single farm payment in the EU



Source: Agra Europe (2004) and national information (collected by IEEP and FAL).

As can be seen from the map the northern Member States have opted more to use the regional premium model according to Article 58 of the Regulation (EC) 1782/2003. The selected implementation of the single farm payment can have considerable influence on environmental aspects. This will be discussed in greater detail in section 4.

The 2003 CAP reform did not cover all commodities and has been supplemented by further changes affecting more specific regimes. Decoupling was a central theme. The support regimes for certain Mediterranean Products (olive oil, cotton and tobacco) and hops were changed in 2004. Changes to the sugar regime are currently under discussion. Both issues are dealt with in greater detail below.

3.1.2 Mediterranean Products and Hops

Reforms to the common market organisations of olives and olive oil, cotton, tobacco and hops were agreed by the Agricultural Council in April 2004. These commodities are now included in the general framework set by the 2003 CAP reform.

The abolition date for coupled tobacco subsidies is now 2010. From 2010 at the latest, 50 percent of payments are to be decoupled from production while the other 50 percent are to be transferred to a restructuring envelope for tobacco producing regions. Member States have the option of maintaining up to 60 percent of the payments coupled to production during the transition period (2006-2010). Coupled payments are to be targeted only at producer groups defined by objective criteria, such as whether they are located in Objective 1 areas or whether they are growing certain high quality tobacco strains. The remaining 40 percent of decoupled payments shall be included in the single farm payment.

At least 65 percent of cotton support payments are to be decoupled from production. Of the € 103 million previously received annually by processors, who paid guaranteed prices to producers, € 81 million is to be split between Pillar One coupled and decoupled aid, and subject to modulation. The remaining € 21.9 million will fund a restructuring envelope under the Second Pillar. However, the proposal may face difficulty being accepted by developing countries within the World Trade Organisation (WTO) negotiations.

Reform of the olive oil sector means that payments to farmers with less than 0.5 ha under olive trees will be fully decoupled. For holdings bigger than 0.5 ha at least 60 percent of the payments are to be decoupled from production. The other 40 percent will take the form of a national envelope for an olive grove payment at a minimum amount of € 75 / ha. Member States will be able to define up to five different rates of aid per hectare based on the ‘environmental and social value’ of groves. In addition, Member States may retain up to 10 percent of the total olive oil payment entitlements for measures to support quality production

The Council decided to integrate support for hops into the decoupled single payment scheme. However, the Council decision foresees the possibility for Member States to grant a maximum of 25 percent to farmers and / or producer organisations, to take account of specific production conditions or specific circumstances in the production regions. Member States have the choice to start the reform in 2005 or 2006.

3.1.3 Sugar

The WTO Sugar Panel, acting on a complaint from Thailand, Australia and Brazil, have concluded that the EU violated global trade rules by breaching its ceilings in terms of both the volume and value of subsidised export limits. This decision may have a further bearing on the outcome of the reform of the EU's sugar sector. The current proposal of a new EU sugar regime, finalised in July 2004, involves a mixture of price cuts, direct support to sugar beet growers, and assistance for the closure of sugar factories and revised market access conditions for developing countries.

At the moment, the proposal envisages a significant fall in annual sugar beet production in the EU by about three million tonnes. It is expected that the least competitive sugar beet growing areas in southern Europe, Finland and some new Member States will step out of sugar beet production. The current system of intervention price support for sugar is to be replaced by direct payments to producers and a new private storage scheme, which would be triggered when sugar prices fall below a 'reference price', a new instrument to be established. According to the proposal only farmers producing beet under quota in the reference period 2000-2002 would receive the fully decoupled direct payments, incorporated into the single farm payment, and subject to all cross compliance requirements. Only the outermost regions of the EU would be allowed to keep direct payments coupled. These direct payments would compensate producers for about 60 percent of the revenues lost as a result of the price cuts proposed. The payment would be introduced in two phases, the first one in 2005/06 and the second in 2007/08.

3.1.4 Cross Compliance

Cross compliance is one key element of the 2003 CAP reform. The introduction of compulsory cross compliance means that from 1 January 2005 farmers in receipt of direct payments will be required to respect a set of statutory management requirements (SMRs), as set out in Annex III of Regulation (EC) 1782/2003, and maintain eligible land in good agricultural and environmental condition (GAEC), in line with the framework established by Annex IV of the same regulation. Cross compliance requirements refer to the whole farm, and also to land and farm branches without direct payments. Non-compliance will lead to determined reductions of direct payments, with 3 % (1-5 %) in the case of a first breach, and 15 % to 100 % where non-compliance is intentional, depending on the severity, extent, permanence and repetition of non-compliance. Thus, both existing statutory requirements as well as GAEC standards will be enforced through controls within the direct payment system.

The SMRs refer to Community legislation in the areas of public, animal and plant health, the environment and animal welfare. In total, 18 pieces of legislation are referred to in Annex III. As the 19th element, Reg. (EC) 21/2004 regarding registration of sheep and goats has been included. Table 7 shows the legislation addressing environmental concerns.

Table 7: Environmental legislation in Annex III of Regulation (EC) 1782/2003

- Directive 79/409/EEC on the conservation of wild birds (Articles 3, 4 (i, ii, iv) 7, 8 & 9 (i, ii))
- Directive 80/68/EEC on the protection of groundwater against pollution caused by certain dangerous substances (Articles 4 & 5)
- Directive 86/278/EEC on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture (Article 3)
- Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources (Articles 4 & 5)
- Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna (Articles 13, 15, 16 (i) & 22 (b)).

The five items of environmental legislation, including the Birds and Habitats Directives and three pieces of public and animal health legislation, will be applicable from 1 January 2005. The remaining SMRs will be phased in from 1 January 2006 and 1 January 2007.

Under Article 5 of Regulation (EC) 1782/2003, Member States must ensure that all agricultural land is maintained in good agricultural and environmental condition (GAEC). Table 8 shows the standards adopted in order to ensure land is maintained in GAEC.

Table 8: Annex IV of Regulation (EC) 1782/2003, with amendments by Regulation (EC) 864/2004: Standards of Good Agricultural and Environmental Condition

Issue	Standards
<u>Soil erosion:</u> Protect soil through appropriate measures	- Minimum soil cover - Minimum land management reflecting site-specific conditions - Retain terraces
<u>Soil organic matter:</u> Maintain soil organic matter levels through appropriate practices	- Standards for crop rotations where applicable - Arable stubble management
<u>Soil structure:</u> Maintain soil structure through appropriate measures	- Appropriate machinery use
<u>Minimum level of maintenance:</u> 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

Given that the majority of agricultural land in the EU-15 is subject to direct payments under the CAP, this instrument is one of the most important tools for integrating environmental concerns into EU farming practice. The degree to which cross compliance is implemented will inevitably differ between the Member States for several reasons. The national discretion available to Member States on the implementation of cross-compliance is likely to result in variable policy models, especially as Member States can implement cross compliance regionally. Political considerations such as the extent to which Member States are willing to regulate the farming industry appear to be a factor here. Also, the EU environmental legislation listed in Annex III of Regulation (EC) 1782/2003 can be implemented in a different manner by the Member States (as they are all Directives), and the enforcement of cross compliance will show some variation between the administrative structures of different Member States.

3.1.5 Modulation

Modulation is another key element of the 2003 CAP reform, and marks a shift from voluntary modulation under the current system to compulsory modulation from 2005 onwards. Modulation means reallocating funds from the direct payments in Pillar One of the CAP to rural development measures in Pillar Two.

The Agenda 2000 reform of the CAP established a new instrument, voluntary modulation, under Article 4 of Regulation (EC) 1259/1999. Each member state could decide to reduce the amount of CAP direct payments received by farmers, on certain criteria e.g. targeting holdings which were more prosperous than average for a given region. The maximum payment reduction allowed was 20 percent of the total amount of payments, granted to the farmer in the calendar year concerned. The amount saved by applying voluntary modulation could only be used by the member state as supplementary funds for agri-environment schemes, early retirement, afforestation and LFA compensatory allowances. The UK and France were the only Member States to use this provision. The latter operated it for a period and abandoned it in face of difficulties in allocating funds. Germany introduced modulation at a federal level from 2003. Until 2005, Member States can continue to apply the current system of modulation on an optional basis under Regulation (EC) No 1259/1999.

In order to increase the CAP budget devoted to rural development programmes it was agreed that modulation should become a mandatory measure for all Member States (Regulation (EC) 1782/2003). Modulation will be compulsory at the rate of three percent in 2005, four percent in 2006 and five percent from 2007 onwards on all holdings receiving more than € 5,000 in production support per year. The funds raised will be redistributed to Member States by the Commission, with their share determined according to objective criteria based on agricultural area, employment and prosperity. The extent of redistribution will be limited by a mechanism that ensures each member state will keep one percent of its modulation ‘contribution’ while no member state will receive less than 80 percent of its contribution. This means that each member state could lose up to 20 percent of the funds previously allocated to its Pillar One activities. An exception is made for the rye producing regions where no less than 90 percent of their contribution will be received.

In a separate agreement, Member States that were applying or planned to apply national modulation rates higher than those set out above may do so voluntarily. These modulation amounts can be used for the rural development measures financed from the Guarantee Section of the EAGGF.

3.1.6 Advisory services

Regulation (EC) 1782/2003 on the common rules for direct support schemes under the CAP demands that Member States set up an advisory service that will assist farmers in need of advice on how to meet the EU environmental standards and other cross compliance requirements. The advisory activity must cover at least the statutory management requirements and the GAEC referred to under cross compliance. Member States are free to introduce it from 2006, but have to set it up by 2007 at the latest. Farmers will use this new farm advisory system on a voluntary basis. Member States should ensure that farms receiving more than € 15,000 in direct aid would be given priority in receiving assistance from the new advisory service. Following a report from the Commission it may become compulsory after 2010.

In addition to this new advisory system, the current RDR already allows Member States to compensate farmers for up to 80 percent of the eligible costs of using advisory services relating to meeting various standards resulting from EU legislation, including environmental standards.

3.1.7 The World Trade Organisation and the Doha Development Agenda

The CAP needs to be understood in the wider context of the WTO and the Doha Development Round. The Framework Agreement, reached by negotiating partners to the WTO in August 2004, gives details of the principles for a new phase of worldwide trade liberalisation, including a reduction of agricultural support and market protection. It will see the EU eventually phase out all export subsidies and reduce the overall levels of trade-distorting domestic support by at least 20 percent of the base level in the first year of the agreement’s implementation. Specific ‘modalities’ (numbers or formulae) for reducing tariffs and cutting subsidies are scheduled to be agreed at a later stage, and in principle in advance of the ministerial meeting in Hong Kong in December 2005. In a final stage of the negotiation, specific commitments have to be delivered by WTO Member States including the EU.

The CAP reform of 2003 deals only with the internal support of agriculture, and leaves the level of external protection unchanged. The system consist on the one hand of export subsidies which are still used for a large number of commodities namely dairy products, beef, sugar, processed foods, grains, pork and some others. On the other hand, the highest tariffs are still applied for agricultural products in the EU, despite a considerable reduction in the course of the implementation period of the Uruguay Round. Tariff peaks exceeded 200 percent in 2004 for some beef cuts and are close to 200 percent for some dairy products. The average tariff rate in 2004 for agricultural products was 16.5 percent compared to 4.1 percent for all other products. These figures were down from 17.3 percent and 4.5 percent, respectively, in 1999 as reported by the Trade Policy Review carried out by the WTO (2004). In the current WTO negotiation, EU export subsidies as well as tariff peaks face strong opposition from other WTO members. This may result in considerable changes in these sections of EU agricultural policy, which may spill over into the reformed CAP regulations.

3.2 Changes to Pillar Two support

The changes introduced as part of the 2003 CAP reform are of different importance for Pillar Two. As discussed earlier, compulsory modulation shifts some support from Pillar One to Pillar Two. Increased funding for rural development measures was agreed as part of the 2003 CAP reform. In 2003 EU spending on rural development was less than 11 percent of the total CAP expenditure, while by 2006 it should amount to 19 percent - a combined effect of a higher proportion of CAP funds to be spent on rural development in the new Member States, and compulsory modulation of direct aid payments from 2005. It is foreseen that by 2013 rural development expenditure will reach 24 percent of CAP funding if the proposed level of expenditure on rural development is adopted in the course of the debate on the EU financial perspectives for 2007-2013.

Another measure introduced by 2003 through amendment to Regulation (EC) 1257/1999 concerns meeting standards set by the EU legislation on farms, including environmental standards.

More essential changes to Pillar Two were proposed in July 2004 as a Commission’s proposal for a new Rural Development Regulation, which is currently being discussed.

3.2.1 Meeting standards

The 2003 reform of the CAP introduced two new measures aimed at improving compliance with EU standards. Member States may provide degressive, temporary support for up to five years, to help farmers adapt to the new and demanding standards introduced by the EU, but which have not yet been transposed into national legislation. This support can cover standards in the areas of: environment, public, animal and plant health, animal welfare and occupational safety. Such aid can be given only as a flat rate payment, with a ceiling of € 10,000 per holding in any one year (see new Chapter Va in the amending Regulation (EC) 1783/2003). The new Chapter also enables Member States to introduce financial support to farmers of up to 80 percent of the cost incurred, if they use advisory services to assess how their business is meeting cross compliance standards introduced as a condition for single farm payments in the 2003 CAP reform. A ceiling of € 1,500 per holding applies.

3.2.2 Proposed new rural development regulation

Pillar Two is also likely to undergo significant changes. In July 2004 the European Commission published draft legislation proposing a new EU Agricultural and Rural Development Fund (EAFRD) which would apply in the EU-25 from 2007 (European Commission, 2004a and 2004b). The draft is currently the subject of discussions within the special working group of the Agricultural Council and it is expected that the final text will be adopted in summer 2005. When agreed this will provide the framework for Pillar Two support in the new programming period 2007-13.

The new Fund for financing the measures brings together the current Guarantee and Guidance Section resources, now combined and subject to a single set of rules. The current LEADER+ initiative is also incorporated into the Regulation creating a new rural development fund. Regions with less than 75 % of the average EU-25 gross domestic product (GDP) per person (plus former 'Objective 1' regions) will become Convergence Regions. In these regions the EU co-financing rates will be higher and it is aimed that a minimum of the EU budget will be used there.

New programming and institutional arrangements

The programming process will change considerably in future; the broad aim is to establish less complex procedures, simpler administration and more strategic goals. There is a significant requirement to take account of the new EU and national strategies, to guide expenditure under a single EU fund, now incorporating LEADER. Establishment of National Monitoring Committees is required in all Member States, following the structural funds model, which allows for a greater involvement of environmental stake holders. A short overview of the envisaged measures will be given in this section, and are discussed in detail in Grajewski (2004). The development has to be further monitored in the MEACAP project as it may be necessary to feed back into the ongoing discussion already with preliminary results.

Table 9: Proposed priority axes for the new European Rural Development Fund

Priority axis	Example measures	Minimum budget share	Co-financing rate
1 Targeting the competitiveness of the agricultural and forestry sector	Vocational training, information Setting up young farmers Early retirement Advisory and farm relief services Farm modernization Forest improvement Support for meeting EU standards Producer groups Semi-subsistence farming (for NMS)	15%	20 – 50 % (75 % in Convergence regions)
2 Land management	Natural handicap payments to: • mountain areas • other areas Natura 2000 Agri-environment Animal welfare Non-productive investments Sustainable forestry measures	25%	20 – 55 % (80 % in Convergence regions)
3 Diversification of rural economy and quality of life	Diversification into non-agricultural activities Support for micro-enterprises Tourist activities Protection and management of natural heritage Essential services, village renovation	15%	
LEADER	Implementing rural development strategies, co-operation projects, running local action groups	At EU level a minimum of 7 % of budget reserved	An extra 3 % of EU budget allocated to best performing Member States

Source: Own presentation based on European Commission (2004b).

Potential weakening of environmental standards

No reference to any environmental standards is made in the proposal for measures under Axis 1 and 3, and the proposal creates some ambiguity in the baseline of environmental requirements applied to land management related payments under Axis 2. The proposal does not refer to Good Farming Practice, and this set of standards is to be substituted by cross compliance as for Pillar One, with beneficiaries of agri-environment obliged to respect additional 'minimum requirements for fertilisers and plant protection products use identified in the programme'. All payments under the 'new LFA', agri-environment, forestry-environment and afforestation schemes, as well as payments in agricultural and forest Natura 2000 areas, will be subject to cross compliance as applicable to Single Farm Payments under Pillar One.

Amongst the new measures, or amendments proposed to the existing measures the most significant for the objectives related to biodiversity and/or climate change are the following:

Natura 2000 payments

The proposed Natura 2000 payments provide a clear link with EU environmental policy and offer payments per hectare of *'utilised agricultural area'* to compensate for *'costs incurred and income foregone'* as a result of restrictions attributable to the Habitats and Birds Directives. Under the current RDR Natura 2000 sites can be designated as a part of LFAs. It is estimated (European Commission, 2004e) that appropriate funding for Natura 2000 sites is in the range of € six billion per annum. In the current financial perspectives proposals for the years 2007-2013, no additional funds for Natura 2000 are allocated to EAFRD, despite political declarations that EAFRD should become a major source of funding for the management of designated sites.

New forestry measures

The proposal introduces new measures related to forestry, including afforestation of non-agricultural land and first establishment of agroforestry systems on agricultural land.

On the other hand farmers' eligibility for support to cover loss of income resulting from afforestation was reduced from 20 to 10 year, which may seriously reduce the attractiveness of afforestation schemes to farmers where such compensation is currently paid.

Most other existing measures will be maintained or only slightly altered. In the case of the forestry sector the draft indicates its further incorporation into EU rural development policy.

3.2.3 Financial framework 2007-2013

The current discussion about the financial framework 2007-2013 in the EU is of great importance for Pillar Two support as it is classified as non-compulsory expenditure in contrast to most Pillar One support. In Table 10 the proposed EU budget commitments for 2007-2013 are presented.

Table 10: Proposed EU financial framework for 2007-2013 (in billion €)

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Appropriations for commitments	120.7	133.6	138.7	143.1	146.7	150.2	154.3	158.5
Preservation and management of natural resources	*56.0*	*57.2*	*57.9*	*58.1*	*58.0*	*57.9*	*57.8*	*57.8*
- Pillar One	*43.7*	*43.5*	*43.7*	*43.4*	*43.0*	*42.7*	*42.5*	*42.3*
*- EAFRD**	*10.5*	*11.8*	*12.2*	*12.7*	*12.8*	*13.0*	*13.1*	*13.2*
Appropriations for payments	114.7	124.6	136.5	127.7	126.0	132.4	138.4	143.1
As a % of GNI**	1.09 %	1.15 %	1.23 %	1.12 %	1.08 %	1.11 %	1.14 %	1.15 %

*) EAFRD (European Agricultural Fund for Rural Development) **) GNI (Gross national income).

Source: Own presentation of European Commission, 2004b and 2004d.

The Commission proposal indicates rising funds for rural development in the coming financial framework. Following the submission of the proposal a discussion in the EU started which is largely concerned about the limit of the EU budget as a percentage of the gross national income (GNI). The current limit is set at 1.24 percent of the GNI and is also envisaged for the financial framework 2007-2013. Austria, France, Germany, the Netherlands Sweden and the United Kingdom want to reduce the budget limit to 1.0 percent (Talks, 2004). This would reduce the available funds of the EU. The effect on Pillar One measures are expected to be limited as they are classified as compulsory expenditure. For Pillar Two support reductions are possible and may be carried out if the budget limit is reduced.

In the ongoing discussion also the outcomes of the Brussels summit in October 2002 regarding the fixing of expenditure for Pillar One measures has been challenged (Agra Europe, 2005). This has been raised as otherwise the share of Pillar One expenditure of the EU budget would increase in the case of a limitation to the 1.0 percent of the GNI. But it appears likely that no changes to Pillar One support will be carried out.

The proposed budgetary allocation must be seen as preliminary, especially the EAFRD, as the final outcome of the discussion is still open. It is likely that some reductions may be carried out which may limit the envisaged expansion of the EAFRD. As this will be used for all 25, and starting in 2007 all 27 Member States it can be expected that fewer EU funds for Pillar Two measures will be available in 'old' Member States. Some of these reductions may be compensated by national funds as savings from a reduced budget limit are available nationally.

4. Introduction into Possible Effects of the CAP and its 2003 Reform on Biodiversity Objectives, Greenhouse Gas Mitigation and Forestry

In this section a short introduction into the linkages between biodiversity and greenhouse gas mitigation on the one side and the CAP on the other will be given. This is only a brief view of the main issues of concern and has to be developed by further research. The analysis is done mainly against the background of changes arising from the 2003 CAP reform. In addition, the interaction between forestry and the CAP is touched upon.

4.1 Possible effects on biodiversity objectives

Incorporation of biodiversity concerns into the CAP is mentioned in several strategic documents at the EU level, such as the EC 5th and 6th Environmental Action Plans, the EC Biodiversity Strategy and the Sustainable Development Strategy. Biodiversity objectives in relation to the CAP are addressed in the Biodiversity Action Plan for Agriculture (European Commission, 2004c), stemming from the EC Biodiversity Strategy. Several agri-environment measures in the Member States are designed to deliver biodiversity objectives. The 2003 CAP reform has resulted in several changes of importance for biodiversity, with habitat protection requirements through cross compliance being the most substantial development. The general direction of the reform has indeed the potential to increase biodiversity. Nevertheless, potential risks need mentioning, too. Future programmes for rural development, including land management measures will be developed in the context of new conditions, for example as cross compliance can interact with agri-environment measures in several ways.

The following core aspects of the 2003 CAP reform are considered from a biodiversity viewpoint:

– the coverage of agricultural and potential agricultural land (including landscape elements) with payment entitlements;

– the value of the individual payment entitlement; and

– the cross compliance requirement concerning the minimum level of land maintenance - Good Agricultural and Environmental Condition – (Annex IV).

With regards to the second and third point, the extent to which the value of the payment entitlement covers the ‘basic land maintenance costs’ required under cross compliance is of utmost importance. In most cases the value of the payment entitlement will by far exceed ‘basic land maintenance costs’, and thus will provide compensation for other cross compliance obligations and more especially for farm income support, although in some cases, the level of payments may be insufficient. The different national approaches to the implementation of the allocation of payment entitlements under the 2003 CAP reform will have an important distributional impact on farm income, but income policies will not be considered here. Beyond the level of ‘basic land maintenance costs’ decoupled payments do not have direct effects on production, competitiveness, land use intensity and farm management. Indirect effects might be price changes after decoupling and resulting effects on production intensity, and improved liquidity of farm enterprises (available financial resources) through decoupled direct payments, potentially leading to more investments and higher levels of input use like mineral fertilisers and pesticides. This section will focus on the impact of the implementation of the 2003 CAP reform on agricultural land maintenance.

Decoupling

One effect of decoupling is that payment entitlements can be activated on an area no longer in productive land use, including landscape features protected through cross compliance. It is not essential to maintain past production. In principle, this should lead to less land use pressure and offer new opportunities for the establishment of landscape features or changes in agricultural land use, as entitlements assigned for arable land can be activated on grassland or non cultivated land. However, for biodiversity objectives decoupling opens not only the chance of greater extensification of land use, but also the possible disappearance of livestock and thus the threat of land abandonment and a decrease in the area of extensive pasture. Extensive livestock farming based on grazing is considered beneficial for landscape and biodiversity in many high nature value areas (Baldock *et al.*, 1996). Thus, a decreasing number of livestock in marginal areas due to decoupling could lead to the need to support livestock more actively in some areas through Pillar Two measures in order to maintain those farming systems. This means some measure of “re-coupling” which could be regarded as contradictory to the general objectives of the CAP reform. The objectives of agri-environment measures and less favoured area support and the coupled support for livestock have to be discussed. However, if clear biodiversity objectives are defined, coupled forms of Pillar Two support have a role.

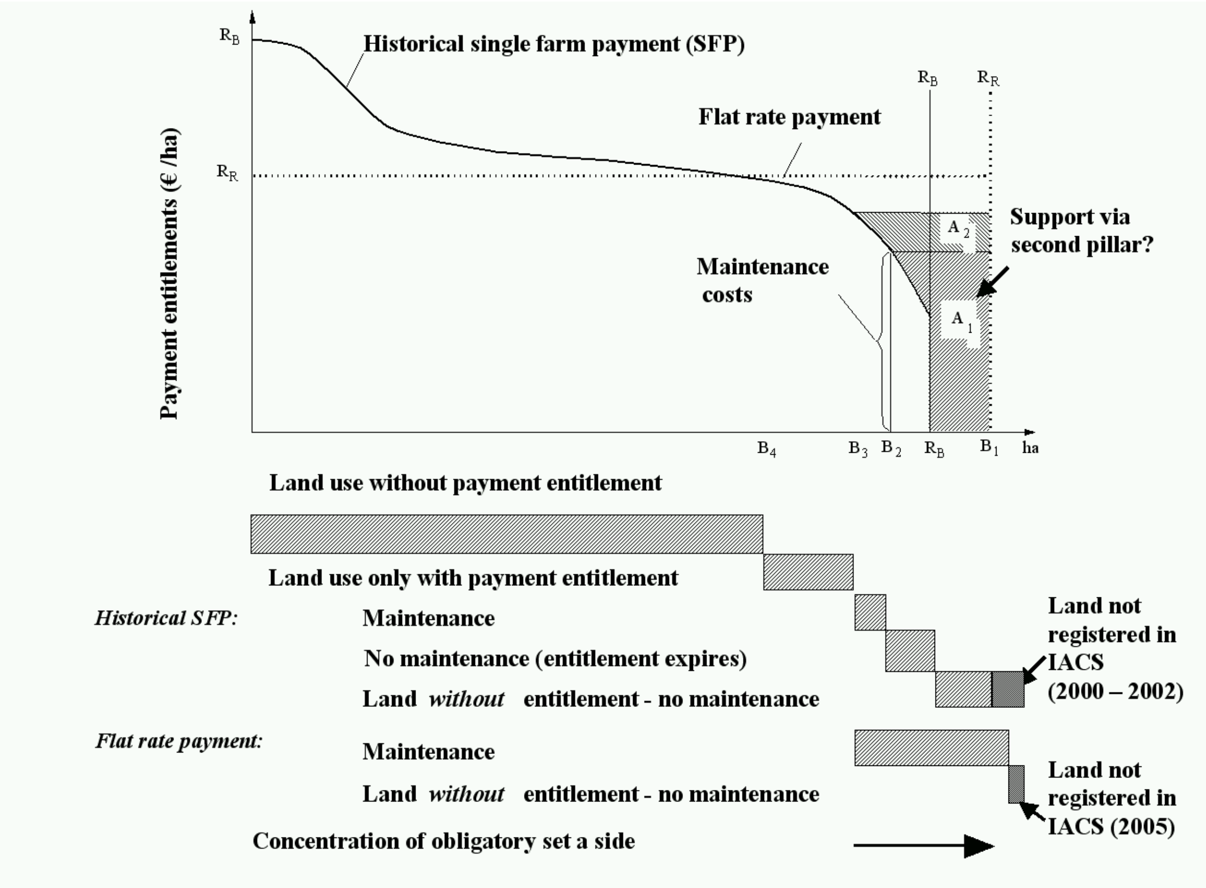
Cross compliance minimum level of land maintenance and transfer of payment entitlements

Where coupled direct payments for cattle, sheep and goats have been eliminated, the maintenance of forage areas may become more difficult, as the indirect support for grazing through headage payments will cease. On land with payment entitlements, a share of the decoupled single farm payment can be seen as an equivalent to land rent and the cost of a minimum level of maintenance according to cross compliance. In most cases, direct payments will be sufficiently high to maintain such land in a state of GAEC. In the case of land without payment entitlements abandonment of farming is more probable in some areas as the ‘basic support’ of Pillar One direct payments is missing. Maintenance of such land can not be assured through cross compliance requirements, as farms could give up this land without losing direct payments. As the payment entitlement is not bound to a specific parcel, the difference between payment entitlements and the eligible area is decisive for the subsequent transfer of entitlements between areas and farms within each region (see chapter 3.1.1). Where potentially eligible land remains without entitlements, there will be more scope for transfers of entitlements. However, a decreasing area of agricultural land may lead to the gap between the number of hectare-based entitlements and eligible land disappearing, leading to a surplus of entitlements and a shortage of eligible land. In this case, the 'basic support' of Pillar One direct payments will be available for all eligible land and no eligible land without entitlement remains.

Policy measures concerned with transferring entitlements between farms and regions are of environmental consequence. Through trading, payment entitlements may be transferred to agronomically more favourable areas which anyway will be kept in agricultural use or which can be maintained more easily with machinery. In this way, less favoured and high nature value land may lose entitlements. Trading of payment entitlements is possible with and without eligible land but eligible land is required to activate a payment entitlement. Article 46 (3) of Regulation (EC) 1782/2003 in combination with Article 9 of Regulation (EC) 795/2004 offers Member States the possibility to make a retention on sales of payment entitlements in favour of the national reserve. This can be used to limit the trade in payment entitlements and to replenish the national reserve if required. Most Member States do not plan to use this option now, but several have mentioned in publications that this option is to be considered to replenish the national reserve if required. France and Italy have included this option in general in their implementation rules. In France sales of payment entitlements without land beyond the borders of a Département will face a retention of 50%. This option will limit the trade with payment entitlements and thus the concentration of low and high payment entitlements in specific regions of France. In Italy the maximum retention envisaged in Article 9 of Regulation (EC) 795/2004 will be applied according to article 10 (1) of Decreto Ministeriale 1787 of 5 august 2004. That means that all sales of payment entitlements without land will face a retention of 50% in the first three years and 30% thereafter, while sales of payment entitlements with land will be subject to a 10% retention and entire holdings of 5%. In Spain the rates of retention are 50%, 30%, 5% and 0%, respectively. Farmers commencing an agricultural activity including via inheritance will be exempt from the retention requirement. The Italian and Spanish implementation systems thus will limit the trade in payment entitlements further than the French.

In the single farm payment system based on farmers historical receipts, the level of trade in payment entitlements will be the higher where there is a sizable land area without any entitlements or attracting relatively low payments. However, in the hybrid payment systems too there is likely to remain a gap between entitlements and total eligible area. Grassland with difficult management conditions, e. g. on slopes or in wetlands, will be in danger of losing payment entitlements. This would lead to the situation that cross compliance will not be binding on such land, provided that farmers succeed in excluding it from the holding area, thus avoiding cross compliance conditions applicable to a farm as a whole. In the following graph the distribution of payment entitlements in the two fundamentally different forms of implementation of the single payment scheme are illustrated.

Figure 8: Payment entitlements, land use and maintenance in different single payment scheme implementation models



Source: Osterburg *et al.* (2003).

As can be seen from the graph, for a proportion of the land area use for agriculture is not dependent on a premium and for another part, active land management will be only be carried out if a premium is paid. Both categories occur whether a Member State adopts the form of single farm payment generally envisaged in Regulation (EC) 1782/2003 or the regional flat rate payment approach. In the case of the flat rate payment, maintenance of land registered under IACS is likely to occur as the payment normally exceeds the maintenance costs. I In hybrid models, a flat rate payment may be below land maintenance costs, especially of permanent pasture. Similarly, under the historic single farm payment system some payment entitlements will be below the maintenance costs and thus a payment entitlement may not be activated and no maintenance is likely to be carried out. For example, in farms with low payment rights per hectare, high maintenance cost, e. g. for grassland on slopes or in wetlands could lead to the abandonment of such areas. This problem may be aggravated by trade in payment entitlements without land, leaving the land with the highest maintenance cost without entitlements. However, real patterns of changes in land management undertaken by farmers on the ground may or may not follow this economically rational logic, and cannot be predicted at present.

Following this analysis, there will be different categories of farmland where agricultural management has ceased. Eligibility for single farm payment will have consequences for management and biodiversity as can be illustrated in two cases:

– Agricultural land *with* payment entitlements, but out of agricultural use will be at least maintained, e.g. through mulching or mowing once in a year according to cross-compliance requirements under Annex IV which are implemented in a variety of ways by the Member States. Uniform large scale management with machinery will possibly be a dominant strategy in some areas, and landscape variability may decrease. Less agronomically focussed requirements on maintenance especially on grassland (e. g. for extensive grassland supported under agri-environment schemes, or for buffer strips without yearly mulching or mowing) would lead to less uniform management measures which would benefit biodiversity.

– Agricultural land *without* payment entitlements and out of agricultural use will not be reached through cross compliance, where it is not a part of an existing holding receiving Pillar One support. Because cross compliance is binding for the whole farm, including land without payment entitlements, farmers are likely to avoid registering such land as a part of a holding if they can, and such land may be subject to abandonment. Compensatory Allowances under LFA schemes and/or agri-environment measures will be the only possible source of support to ensure that such land is kept in a favourable nature conservation status. On farms receiving support under Pillar One, but with a significant proportion of land without payment entitlements, the overall level of payments may be insufficient to cover 'basic land maintenance costs' on the whole farm. On such farms, basic land maintenance cannot be remunerated with Pillar Two support because the cross compliance requirements to keep land in GAEC apply to the whole farm as a pre-condition for receiving Pillar One payments. It may result in very low levels of compliance with GAEC requirements and/or farmers splitting holdings or abandoning land without entitlements to avoid cross compliance conditions without payment entitlements. In areas of high nature value, which are not eligible for Compensatory Allowances under LFA schemes, this may be problematic. It may be necessary to introduce alternative arrangements to ensure that favourable nature conservation status of such land is maintained e.g. by nature conservation authorities. Introduction of agri-environment schemes might be an option, but payments would have to incorporate some of the costs of basic land maintenance, which might be problematic given that cross compliance requirements are to be treated as a baseline standard for which compensation should not be paid.

On considerable areas of grassland, including land difficult to maintain with machinery, extensive grazing is an option for maintenance. This is encouraged by GAEC rules emerging in several Member States. However, meeting GAEC standards will be more expensive or difficult on grazed land compared to that mowed or mulched, for example because ‘unwanted vegetation’ could encroach. Appropriate management requirements are necessary to ensure biodiversity benefits. Hence the administrative aspects of the implementation may be more complex and challenging.

Another related question concerns which land outside the cross compliance requirements will be registered under IACS. This is of greater importance for permanent pasture then for arable land, as the coupled Pillar 1 premia were only indirectly linked to grassland in the past. While under the historic single farm payment model, there is no scope for adaptations at farm level with regard to the amount of entitlements, the hybrid systems offer more space for strategic behaviour, towards either an increase or decrease of the farm area. Where grassland is not needed for productive use and only a small payment entitlement will be attached to it, but farmers face high land rent and maintenance costs, they may hesitate to register this land in IACS. In case of sufficiently high payment entitlements, in hybrid systems farmers are likely to register as much additional eligible land as they can. The IACS application in May 2005 is decisive for the number of hectare-based entitlements allocated to the farms. After that deadline, no new entitlements will be assigned until the year 2013, except for hardship cases.

Member States obviously have anticipated possible negative impacts of decoupling on marginal grassland and for this or other reasons have chosen different options which potentially limit them:

- Maintenance of coupled payments for suckler cows, sheep and goats (e. g. France, Austria)
- Cross compliance requirements, including minimum livestock stocking rates
- Use of the national envelope to support extensive grazing
- Adaptations of agri-environment schemes which will have more impact on maintenance of minimum livestock rates in future

These strategies and their possible impacts have to be analysed in more detail as MEACAP progresses.

Obligatory set aside of arable land will give rise to a separate payment entitlement, and the trade in these special rights may lead to a concentration of set aside on marginal arable land. In exchange for payment entitlements which allow for productive agriculture use, farmers in favoured areas will try to move set aside obligations into areas with less fertile soil, where voluntary set aside can be substituted by land under the obligatory system. Both the environmental and supply control objectives of set aside are brought into question through the effects of this re-allocation. Due to the tradability of set aside payment entitlements, the allocation and management of obligatory set aside in order to enhance biodiversity seems likely to become more difficult. If retention of set aside payment entitlements is carried out according to article 9 of Regulation (EC) 795/2004 this will be limited only to the value of the payment entitlement not to the number of payment entitlements. Thus, the area of obligatory set aside will not be diminished through retention, and set aside always has to be activated first.

Cross compliance and the protection of permanent grasslands

Protection of permanent grassland and landscape features following Annex IV of Regulation (EC) 1782/2003 can have positive effects on biodiversity conservation. However, effective grassland protection through cross compliance depends on the implementation of flexibility mechanisms which might endanger the maintenance of *permanent* grassland, which is of greater interest for biodiversity protection than more temporary grassland within crop rotations. The area of grassland without premium rights is also relevant to a biodiversity appraisal because this area is not included in the IACS at the start of the new system. Such “new” grassland could be included into the base area step by step, thus allowing for a significant decrease in permanent grassland through ploughing, while farmers formally comply with the cross compliance conditions because they statistically maintain the overall area of their grassland, assuming that other environmental restrictions do not inhibit ploughing of more interesting grassland. Furthermore, farm specific requirements for grassland retention are obligatory only if the objective of maintaining 90% of the ratio of permanent grassland in relation to the total agricultural area in 2003 is likely to be missed at a national (or regional) level. Thus, the grassland maintenance regulation will be rather untargeted from a biodiversity perspective. Member States however, do have the option of implementing a system of authorisations for ploughing grassland and adding site specific criteria to this consent. In this way, the CAP grassland protection requirements might be used in a more environmentally targeted way, at member state or regional level.

Landscape features

Before the 2003 CAP reform, the system of farm support under Pillar 1 was not concerned with landscape features the protection of which relied on national legislation. The area payments for arable crops and set-aside were based on the net crop area, generally excluding features along field margins. This encouraged farmers to limit the area of landscape features as much as possible. Following the 2003 CAP reform, several landscape elements now can be used to activate a premium right alongside land previously in production. This is the case for all landscape features protected according to cross compliance rules according to article 30.3 of Regulation (EC) 796/2004. This should reduce the pressure from agriculture on landscape features as premium rights are not lost if for example a hedgerow becomes thicker. In addition the protection that Member States should offer via cross compliance with its monitoring and penalisation procedures is likely to be supportive for existing landscape features. Agri-environment measures can still be used by Member States both to manage facilities and to support the creation of new landscape features which subsequently fall under cross compliance. However, compared to the maintenance of permanent grassland the protection of landscape features is much less flexible and might “freeze” the structure of agricultural parcels, as no exemptions such as substitution in case of removal are provided.

New Member States

In the new Member States the introduction of a flat rate payment scheme under the CAP leads to slightly differing biodiversity aspects.

The issue of premium rights in the eight new Member States, several of which have witnessed high levels of abandonment of High Nature Value farmland, and grasslands in particular, is of serious concern. Any land that was not in GAEC in July 2003 is not eligible for direct payments under the existing regional payment system. Its future eligibility support depends on well targeted efforts to restore such land and bring it into the system when adopting the single farm payment regime applicable at present to the EU-15 and ultimately, to all Member States.

On the other hand, the introduction of direct payments in the new Member States is very likely to lead to unprecedented intensification of agricultural production, in some areas especially through increased use of inputs, widely affecting biodiversity on farmland, as well as contributing to the eutrophication of waters and wetland habitats. As the introduction of direct payments will increase the available financial resources of farms in the new Member States they will be in a position to purchase more inputs, leading to some convergence with management practices in the EU 15.

4.2 Possible effects on the ‘Kyoto commitments’

The effects of the 2003 reforms on the Kyoto commitments‘ are difficult to detect, as the linkages are mostly indirect. It is clear that agriculture can assist in the fulfilment of the EU’s ‘Kyoto commitments’ mainly via greenhouse gas mitigation measures, e. g. through reduced nitrogen fertilizer application and improved manure management, and by contributing to the production of biofuels and by increasing soil carbon sinks. In some exceptional cases agricultural and forestry projects can be used in emission trading. Greenhouse gas mitigation is not a formal aim of the CAP, but several existing and envisaged policies may have an impact in practice and the principle of integrating environmental concerns into the CAP is firmly established.

The existing arrangement allowing some farms to produce non-food (energy) crops on set-aside land can serve as an example of a tool supporting objectives related to climate change in the CAP. There are also some agri-environment measures which have a clear positive effect on mitigation of GHG emissions. A possible negative impact is the continuing linkage of Pillar 1 support to the number of animals kept on farms, as some animals may only be kept in order to claim the premium. However, the ongoing process of decoupling will diminish its impact on farmers decisions to keep livestock in future. Most other policy measures appear more neutral in terms of mitigation of GHG emissions.

The 2003 CAP reform can be expected to have both positive and negative payments but it appears - a priori - likely that the positive will outweigh the negative ones. A positive measure is the aid for energy crops of 45 €/ha up to a maximum guaranteed area of 1.5 Mio. ha. in the EU. In addition, the dispensation to produce energy crops on set-aside land will be maintained. This will not be subject to an area limitation but will not qualify for the aid payable for energy crops. For energy crops which can also be used as food crops a contract has to be concluded in advance to qualify for either of the two options. However, plants like miscanthus and short rotation croppice can be produced on set-aside land without a contract.

Many land use changes will be more strictly controlled via cross compliance from 2005 onwards. There are incentives to maintain the total grassland area within member states and regions, but reallocation and thus ploughing of grassland remains possible. The maintenance of existing grassland is not strictly fixed, as its share compared to arable land might decrease by up to 10%. Furthermore, in the case of the single farm payment paid on a historical basis some permanent pasture is likely to remain without payment rights and will not appear in the grassland statistics in the beginning of the new implementation period. Therefore, such grassland can be used to fulfil national obligations to maintain total grassland area if permanent grassland registered in IACS is moved to other uses e.g. arable, built-up area etc. Land use aspects at the borderline between agriculture and forestry will be discussed in the following section.

One important aspect in terms of greenhouse gas mitigation remains the number of animals kept on farms as a result of policy measures. The implications of the 2003 CAP reform for animal numbers in the EU are unclear. It appears likely that, due to the – at least partial – decoupling of support animal numbers may decline. This effect may be limited however as in several Member States several of the livestock premia remain coupled.

Several Pillar Two measures can have a positive effect on GHG mitigation. These include, for example, support for reduced tillage, efficient slurry application techniques, investments in animal housing, and organic farming. This is only a selection but it also shows that several, sometimes competing aims, may be served by a Pillar Two measure. In some cases, a measure is clearly positive with regards to GHG mitigation and in others may have negative implications. Investments in animal housing can demonstrate this. New installations often include advanced techniques which reduce ammonia emissions but can also cement a shift from grazing and straw-based animal housing to a slatted floor permanent housing system. For several measures of this kind, such aspects will be discussed in detail in a later stage of the MEACAP project.

4.3 Implication of the CAP for forests

In forestry terms, the 1992 McSharry reforms of the CAP were significant for introducing a series of 'accompanying measures', one of which was Regulation (EEC) 2080/92 reformulating a system of aids for afforestation. Some Member States such as Spain and Ireland were criticised for using this Regulation to fund the planting of non-native trees and the Regulation itself was criticised for not having clear implementing regulations attached to it.

The Agenda 2000 reforms subsequently brought the accompanying measures, together with other rural development support, under the umbrella of the Rural Development Regulation (Regulation (EC) 1257/1999). The main objectives of the forestry measures included the promotion of sustainable forest management, the maintenance and improvement of forest resources and extension of woodland areas including compensation for farmers planting trees on former farmland. Some countries (especially Spain, Portugal and Italy) have made particular use of the afforestation measure while others (such as Sweden and Denmark) have made relatively little use of it (Swales and Castan Broto, 2004). The UK has made moderate use of the options allocating almost € 200 million for forestry for the 2000-2006 programming period. Woodlands and forestry offer a range of benefits including environmental protection, farm diversification and recreational opportunities but afforestation has also resulted in loss of biodiversity.

During the 2003 CAP reform it was clarified that short rotation coppice of up to 20 years can be planted as a non food crop on set-aside land which remains eligible to activate CAP premium rights, especially set-aside rights. This kind of production is at the borderline between an agricultural and a forestry land use. In the same vein afforested arable land is eligible to activate set aside payment entitlements under Article 31 of Regulation (EC) 1257/1999. At the current stage of knowledge of implementation of the 2003 reform other afforested land would not be eligible to activate Pillar 1 premium rights but this most planned afforestation of farmland takes place with support from Pillar 2 (Regulation (EC) 1257/1999) under which there is provision for payments for up to 20 years as new woodland is established.

Some land is converted from agricultural use to scrub, taller vegetation and ultimately woodland through a process of natural succession rather than deliberate afforestation. The cross compliance provisions under the 2003 reform are designed, inter alia, to limit this process or eliminate it by requiring farmers receiving the single farm payment to keep land in 'Good Agricultural and Environmental Condition' The encroachment of 'unwanted vegetation on agricultural land' should be avoided. Depending on how Member States implement Annex IV of the regulation, natural succession can be expected to occur on a much reduced scale on land receiving payments. Where land is outside the system or the premium is very low, abandonment is more likely to occur. This can be expected to be a more significant phenomenon.

Looking ahead, some changes in the current measures affecting forestry will be caused by the forthcoming redesign of the rural development regulation. In the first draft of the EAFRD several new measures focussing on forestry have been envisaged while the level of support for afforestation has been reduced. Future MEACAP projects will explore this further. This would link agricultural and forestry land use closer together but the clear distinction between both major land uses remains.

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	Wallonia	http://mrw.wallonie.be/dga/
Denmark		http://www.landbrugsreform.dk/Default.asp?ID=19650
Finland		http://www.mmm.fi/CAP/
France		http://www.agriculture.gouv.fr/spip/ressources.themes.europeetinternational.politiqueagricolecommune_a4071.html
Germany		http://www.verbraucherministerium.de/index-000B1FAE1F6910ECAE0D6521C0A8D816.html
Greece		http://www.minagric.gr/en/agro_pol/frontpage_en.htm
Ireland		http://www.agriculture.gov.ie/index.jsp?file=cap/capreview03_index.xml
Italy		http://www.agricolturaitalianaonline.gov.it/contenuti/politiche_comunitarie/riforma_pac/seminativi/pac_domande_e_risposte
Luxembourg		http://www.ser.public.lu/beihilfen/gap_reform/index.html
Netherlands		http://www9.minlnv.nl/servlet/page?_pageid=617&_dad=portal30&_schema=PORTAL30
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Sweden		http://www.regeringen.se/sb/d/4209;jsessionid=asqQEPM7Qq3g
Spain		http://www.mapya.es/ga/desarrollo/pags/reforma/reforma.htm http://www.agrodigital.com/manual.htm
United Kingdom	England	http://www.defra.gov.uk/farm/capreform/index.htm
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