



CAP reform and meadow birds in the Netherlands

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This report presents a vision on the agricultural policy required to achieve a stable breeding population of the Black-tailed Godwit in 2010. Key elements in the present Common Agricultural Policy and recent CAP reform proposals of the European Commission are analysed. Specific Dutch circumstances lead sometimes to assessments that differ from those of the Royal Society for the Protection of Birds. Recommendations are made on agricultural policy measures required for meadow bird conservation in the Netherlands.

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**Common Agricultural Policy/ agri-environment/ cross compliance/ modulation/
WTO/ meadow birds**

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Summary

Vogelbescherming Nederland aims to stop the decline of the population of the Black-tailed Godwit (currently 45.000 breeding pairs) and to increase the population to 60.000 breeding pairs in 2010.

One of the conditions for the maintenance of a stable population of meadow birds in the Netherlands is the Common Agricultural Policy (CAP). The Centre for Agriculture and Environment (CLM) presents in this report a vision on the agricultural policy required to achieve his objective. The focus of this report is on the Black-tailed Godwit but the measures proposed will also be beneficial for other meadow birds.

The decline of meadow bird populations has occurred under the present CAP regime. Unconditional price support and direct payments for fodder maize have been two of the causes of the decline in the past decade. The decline was not stopped by agri-environment schemes, partly because the schemes were not adequate for meadow bird conservation and because up-take of the schemes was too low.

The proposals of the European Commission of January 2003 will further jeopardise the conservation of meadow birds. The dairy reform will decrease the incomes of dairy farmers in the Netherlands by 50%. Farmers will respond by scaling-up their farms and further intensification. Two changes in agricultural practices are foreseen that will severely hit meadow birds:

- many cows will be kept indoors all year round;
- farmers will rapidly mow all the grass for silage. If mowing starts early, breeding will be disturbed.

In marginal areas (many of which are important for the Black-tailed Godwit) the risk is that dairy farming will cease to be viable.

In the short term the only effective way to counter these tendencies is an appropriate agri-environment scheme for meadow bird conservation with payment levels that are sufficiently attractive. Present modulation resources are hardly sufficient to do this. The implementation of Good Agricultural Conditions above statutory standards will jeopardise sufficiently attractive payment levels for meadow birds protection in the Netherlands. This is because the remuneration system increasingly fails to sufficiently reward farmers for the service they provide. A better remuneration system requires action in the EU and even the World Trade Organisation.

In the longterm, next to agri-environment payments, a private sector approach would be needed to ensure stable breeding populations of meadow birds in the Netherlands.

1 Introduction

In this chapter we present the background of this study, the goals and the methodology we used.

1.1 Background

Over the last few decades the population of meadow birds in the Netherlands is declining. Vogelbescherming Nederland (BirdLife Netherlands) and other organisations have tried to stop this decline. Recently, a three years project titled 'The Netherlands Black-tailed Godwit Country' was launched. The project partners will co-operate with farmers on improved conservation measures in a given area. Vogelbescherming Nederland is implementing a campaign for the Black-tailed Godwit to support this project.

One of the key factors for the maintenance of a stable population of meadow birds in the Netherlands is the Common Agricultural Policy (CAP). This is because most meadow birds breed and forage in agricultural areas. The Netherlands have a special responsibility because half of the European population of meadow birds breed in the Netherlands. In January 2003 the European Commission presented reform proposals for the CAP. There is debate out the potential opportunities and threats of these reform proposals for nature and landscape conservation. Vogelbescherming Nederland is particularly interested in the impact of the reform proposals on the conservation of meadow birds, especially the Black-tailed Godwit. Vogelbescherming participates in the CAP reform campaign of BirdLife International. The proposed measures in this report focus on the Black-tailed Godwit but will also be beneficial for other meadow birds.

The Commission aims at a more market oriented agricultural sector, in the EU-15 and the candidate countries in line with international trade rules currently under negotiation in the World Trade Organisation (WTO). Key elements in the proposals are the decoupling of direct payments in the first pillar from production, and "modulation" of an increasing part of the budget of the market measures in the first pillar to rural development in the second pillar.

The central questions are how the reform proposals affect meadow bird populations in the Netherlands, and what policy measures at national and European level are required to conserve meadow birds. Ideally, conservation of meadow birds should be improved by the end the project 'The Netherlands Black-tailed Godwit Country'.

1.2 Goals of this study

Vogelbescherming Nederland aims to stop the decrease of the population of the Black-tailed Godwit currently 45.000 breeding pairs and raise the population to 60.000 breeding pairs in 2010.

The goals of this study are to:

- to identify key factors in the CAP and the WTO for sustainable meadow bird conservation;
- to recommend policy measures for sustainable protection of meadow birds in 2010.

To realise these goals the following questions will be answered:

1. To what extent the CAP (mainly rural development incentives) is actually contributing to protection of meadow birds in the Netherlands?
2. What additional resources (from modulation) could be used for the protection of meadow bird in the Netherlands?
3. Which elements of the Commission's proposals of January 2003 are important for the protection of meadow birds and why? The following elements will be covered: modulation, cross compliance, dairy reforms (direct payments, quota increase) and their effects on intensification and scaling-up of dairy farms.
4. Which other (international) tendencies are likely to affect the protection of meadow birds in the coming ten years?

Regional differences between meadow bird areas in the North and the West of the Netherlands will be taken into account.

1.3 Methodology

The study is based on desk research and on positions of Dutch organisations such as the Dutch Organisation for Agriculture and Horticulture Farmers Union (LTO Nederland), The Netherlands Society for Nature and Environment (SNM), Young Farmers Organisation (NAJK), Union of Dairy Farmers, Friend of the Earth the Netherlands. Positions of BirdLife International and the Royal Society of the Protection of Birds (RSPB) have been checked on their validity for the Dutch situation.

2 Needs of the Black-tailed Godwit

In this chapter we describe optimal agricultural land management for the Black-tailed Godwit. We distinguish between:

- settlement and feeding habitat;
- breeding habitat;
- chicken habitat.

The management practices that enhance reproduction success easily follow from the descriptions. Management mosaic refers to management practices agreed among farmers.

2.1 Settlement and feeding habitat

The Black-tailed Godwit usually breeds on grassland, occasionally on arable land. Its preferred habitat is grassland rich in food and structure. The area is open and fields are relatively untouched by roads and farm activities. The birds settle in March and April. In that period the availability of food is crucial. This can be improved by:

- Manuring. Animal manure is favourable for the development of soil life and insect populations (earth worms, larvae of dung-beetles and flies) fed upon by the adult birds. In meadow bird reserves it has happened that grasslands not receiving any manure for many years became acid and as a result both soil life and bird populations sharply decreased. Manure containing a high percentage of straw can provide the grassland with additional structure, a feature that favours settlement of the Black-tailed Godwit.
- Pasturing. On pastures the combined effects of cow pat, grazing and trampling result in relatively much microrelief, soil life and insect life above the soil.
- Presence of some wet parcels. The availability of some wet parcels may lure the birds to the area. However, there is no scientific proof of a relationship between wet parcels and breeding in the direct neighbourhood of those parcels.
- Groundwater level. The birds depend for their food on earth worms and other insects in the topsoil. If the water level gets too low, soil life in the topsoil declines and gets out of reach for the birds. There is a lot of debate about the optimal water level for Godwits. There are important regional differences in groundwater levels. In the North (mainly clay soil but peat soil as well) the water level is usually lower, in the range of 40-80 cm (and incidentally up 100 cm) than in the West (mainly peat soil and clay on peat), with water levels in the range of 40-60 cm.

2.2 Breeding habitat

The Black-tailed Godwit starts breeding in April. On the average in the Netherlands 50-75% of the clutch has hatched by 15 May, and by early June about 90%. Regional differences and differences between years can range between one and two weeks.

The Black-tailed Godwit preferably breeds in:

- Land used for mowing. The success rates of their clutches are higher here than on land regularly used for pasture. Late mowing from June enhances breeding success.
- Land extensively used for pasture. Extensive pasture can provide additional structure to grassland. The stocking density must not become too low in order to prevent the land from becoming too rugged. Rest is another crucial factor for breeding success. Except for the fact that the nests should not be untimely destroyed by mowing, the Black-tailed Godwit is disturbed relatively easily during the breeding period. Nest protection is an important tool to prevent clutches being destroyed by early mowing.

2.3 Chicken habitat

For the growing up of the chickens of the Black-tailed Godwit (which takes about four weeks) three factors are essential:

- Sufficient food must be available. The chickens eat insects above the soil, while the adult birds eat invertebrates living in the topsoil. The insects predominantly occur in grassland not yet mowed and in grassland rich in herbs (e.g. botanically managed grassland).
- Chickens need to be able to grow up safely. That implies that they should have sufficient opportunity to escape in case the land is mowed. The opportunity to escape may consist of:
 - not mowed grassland;
 - refuges of not mowed grassland within the mowed parcel.
- The chickens should be able to walk and run easily. This is not possible in too long and dense grass. Therefore, a mosaic of not mowed fields with lay grass should be available in the vicinity of the nesting place. Optimal is early mowed or early grazed grassland that is growing well. Of course in combination with parcels providing enough food.
- Predator densities should be kept low by keeping the landscape open. The development of small fields with wood or solitary trees should be avoided. Trees will attract black crows and magpies, reedland will attract marsh harriers, bushland and reed offer nesting habitat for foxes.

2.4 Co-operation between farmers in management mosaic

In the previous paragraphs we presented the different habitats the Black-tailed Godwit requires as well as favourable management practices to improve those habitats. Recent studies have revealed that it is not necessary to have all these habitats at one farm. The key to conservation of the Black-tailed Godwit seems

to be the coexistence of the different habitats in one area and the quality of those habitats. The term chosen for the variation in management practices for the protection of meadow birds agreed by a group of farmers is 'management mosaic'.

3 Status Quo

In this chapter we describe the key elements of the present Common Agricultural Policy for a vital dairy sector and protection of meadow birds.

3.1 The Common Agricultural Policy

The Common Agricultural Policy (CAP) is based on two pillars: market measures (pillar 1) and rural development (pillar 2). The market measures were designed in the 1960s specified per crop and livestock species to protect farmers inside the EU against competition from the world market and ensure them a relatively stable income. The market measures are 100% financed from the community budget. The rural development measures were introduced in 1992 to pursue environmental, nature conservation and social goals in the countryside. Rural development is co-financed from the community budget, with a maximum of 75% for areas with natural handicaps (objective 1) and 50% for other areas. In most of the Netherlands the maximum is 50%.

3.2 Market measures (Pillar 1)

For meadow birds the market measures regarding the dairy sector are most relevant. Dairy farmers in the Netherlands commonly use their land for meadows, grass silage (and some hay) and fodder maize production. In addition they buy feed concentrates.

3.2.1 Milk and milk products

The dairy sector is heavily protected against competition from the world market through import tariffs, intervention prices, export refunds and public storage of surplus production. These measures are providing incentives for higher milk production (milkfat and protein). In the early 1980s the milk surplus in the EU was growing so fast that a quota system was introduced in 1984. The quota (milk production rights) were subsequently cut to diminish the surplus of milk. Initially, the quota was linked to land, tempering intensification. When quota became transferable from one farmer to another an incentive was given to maximise production at farm level. In the Netherlands this resulted in high prices for quotas and in higher milk production per cow.

The market measures are in no way linked to a system of environmental or biodiversity protection. Thus the benefits or risks of the European dairy policy for meadow birds are the result of management decisions of farmers.

Although competition from the world market is limited, ongoing competition within the European Union has produced a downward pressure on milk prices (per kg fat) and farm income. As a result dairy farmers tended to buy more quota and to intensify production. In the Netherlands this scaling-up and intensification has taken the

form of for example earlier and more frequent mowing, increased stocking density, bigger parcels, bigger machines, lower groundwater level, genetic improvements and on some farms milking robots. The results were higher grass yields, better fodder quality, faster process of silage making and higher milk yields per cow, but also resulted in a decrease of meadow birds populations in the Netherlands.

3.2.2 Cereals and fodder maize

The 1992 CAP reform meant cuts of the intervention price of cereals and compensation for these price cuts through direct payments. The dairy quota system was maintained. Nevertheless dairy farmers profited in two ways from this reform. The prices for feed concentrates went down and dairy farmers producing fodder maize received direct payments (because maize is considered a cereal). Although the total area of fodder maize receiving payments was fixed, this has meant an increase of the fodder maize area in the Netherlands at the expense of grassland. Dairy producers on clay and sandy soils received these direct payments while producers on pure peat soils (mainly in the West) did not because the environmental conditions are not suitable for maize there.

3.3 Rural development (Pillar 2)

For meadow birds the most relevant rural development measures are the agri-environment schemes for nature and landscape management and a scheme to support co-operation between farmers on meadow bird protection.

3.3.1 Agri-environment schemes in the Netherlands

The Dutch Rural Development Programme (*Plattelands Ontwikkelings Programma*) includes two agri-environment schemes for agricultural landscape and nature management in protected areas and buffer zones (*Subsidieregeling Agrarisch Natuurbeheer* and *Subsidieregeling Natuurbeheer*, respectively). These schemes include modules that compensate farmers for the costs incurred and income foregone of management practices protecting meadow birds, such as late mowing and wet parcels. One scheme is designed for collective contracts for meadow bird protection containing several schemes and run by farmer co-operatives for conservation. Unfortunately the European Commission forbade these collective contracts. These agri-environment schemes are 50% co-financed by the European Commission. In 2003 the European co-financing for the Dutch Rural Development Plan is 59 million Euro, of which 21 million is budgeted for nature and landscape protection. It is impossible to get a reliable estimate of the budget for meadow birds protection.

3.3.2 Scheme to support co-operation on meadow bird protection

The Netherlands has in its Rural Development Plan a scheme to support co-operation between farmers on meadow bird protection (*Regeling Ondersteuning Samenwerkingsverbanden (ROS)*). With this scheme farmer co-operatives for conservation are supported with the development of collective contracts. The European Commission has forbidden the Netherlands to implement

collective contracts because the payments cannot be directly linked to a parcel and the co-operatives de facto function as payment agencies while there are only two recognised payment agencies in the Netherlands. The Dutch government is planning to change the scheme in line with the Commission requirements, starting in 2004.

The co-operatives will keep a role in the planning of meadow bird conservation and encouragement of farmers up-take in meadow bird conservation schemes.

4 Rural development (Pillar 2)

In this chapter we assess the opportunities and threats to the protection of meadow birds associated with the reform proposals of the European Commission on rural development.

4.1 Opportunities for meadow birds

Meadow birds may benefit from the following Commission proposals on rural development:

- Introduction of a new Chapter in Regulation (EC) No 1257/1999 entitled 'Food Quality' comprising two measures:
 - Incentive payments will be permitted for farmers who on a voluntary basis participate in Community or recognised national schemes designed to improve the quality of agricultural products and the production process used, and give assurances to consumers on these issues. Such support will be payable annually for a maximum 5-year period, and up to a maximum of EUR 1 500 per holding in a given year.
 - Support for producer groups for activities intended to inform consumers about and promote the products produced under quality schemes supported under the above measure. Public support will be permitted up to a maximum of 70% of eligible project costs.
- A new indent will be added (in article 33 of regulation 1257/99) to cover the management costs associated with local partnership groups.
- Increase of European co-financing for agri-environmental programmes in from 50% to 60% (and in objective 1 areas from 75% to 85%).
- The planned review (in 2004) on the extent to which rural development is contributing to sustainable development objectives in particular in relation to bio-diversity. If necessary, the Commission will make proposals to enhance the contribution of the Common Agriculture Policy to these objectives.

Hereafter we go into detail.

4.1.1 Food quality chapter and local partnership groups

The food quality chapter may be used in the dairy sector in the Netherlands to pay farmers who are participating in the KKM scheme for the dairy chain. Protection of meadow birds is not yet an integral part of that scheme. But apparently there is scope for birds protection under food quality certification schemes because the formulation refers to the quality of both agricultural products *and the production process used*.

If farmer co-operatives for conservation are recognised as local partnership group their management costs could be covered. For example, a person that helps to plan suitable conditions for meadow birds in a certain area and who motivates farmers

to implement the birds protection plan can be very effective for birds protection. However, the question remains to what extent such a regional protection plan for meadow birds could fit in the management plans of the individual dairy farmers. If it does not fit, meadow birds protection payments should be made available to make it fit.

4.1.2 A new agri-environment scheme to protect meadow birds

In the Netherlands a new agri-environment scheme could be designed, already under the present rural development regulation, to protect meadow birds. Terwan and Guldmond (2002) have proposed this because the present schemes do not offer sufficient protection for the Black-tailed Godwit. This requires from the Ministry of Agriculture, Nature Management and Fisheries that they design a new agri-environment scheme. The second step is that provincial governments will determine the specified areas where the new scheme is applicable.

Based on an average density of 15 breeding pairs per 100 hectares, for the protection of 60.000 breeding pairs of the Black-tailed Godwit, the up-take of an agri-environment scheme required would be 400.000 hectares. According to Terwan and Guldmond (2002), yearly payments for income foregone and costs incurred should ideally range between 130 and 180 Euro per hectare¹. This would imply an annual budget in this scheme between 52 million and 72 million Euro. However, the calculations by Terwan and Guldmond did not take into account the recent Commission proposals. The decline of income of dairy farmers as a result of the Commission proposals, estimated at 50% for the Netherlands, would decrease payments based on income foregone in the calculations, resulting in lower payments. However, the combination of price cuts and relatively low agri-environment payments may imply that dairy farming ceases to be viable in marginal areas (usually the best areas for the Black-tailed Godwit).

According to the present rural development regulation the payments for meadow birds should be based on the principle of income foregone and costs incurred. Because of environmental legislation the basis for remuneration of farmers is getting smaller. As a result the payments decrease by 15% (Terwan and Guldmond 2002). Because of the combined effects of decreasing farm incomes and increasing environmental legislation the principles of income foregone and costs incurred may not be adequate to ensure sustainable protection of meadow birds by Dutch farmers. (see also chapter 6.5).

4.2 Threats for meadow birds

The Commission proposals on rural development could imply a threat for meadow birds in two ways:

- the total financial resources available in pillar 2 are limited;
- the financial resources can be used for a broader range of activities.

The proposals for broadening the scope for pillar 2 include:

- participation in food quality schemes;
- improve welfare of farm animals;

¹ The figures exclude an incentive payment (of maximum 20%) and LFA payments

- support for farmers to help them with the costs of using farm advisory services.

Hereafter we go into detail.

4.2.1 Limited financial resources in pillar 2

The Commission proposes to enhance the budget for rural development by transferring resources from market measures to rural development. The transfers remain limited however, growing to maximum of around 3% per year of the ceiling on market measures in 2013 (see table).

Table: Transfers from pillar 1 to pillar 2 in million Euro

	2007	2008	2009	2010	2011	2012	2013
Total modulation	228	751	2030	2420	2810	3200	3343
Of which to pillar 2	228	475	741	988	1234	1481	1481
Ceiling on market measures	45759	46217	46679	47146	47617	48093	48574
Percentage to Pillar 2 of market measures	0,5%	1,03%	1,59%	2,10%	2,59%	3,08%	3,05%

Source: Financial annex of the Commission proposals

This figure does not correspond with the percentages up to 6% proposed (see also 5.1.2). If the financial annex has a formal status, it could imply that the additional financial resources for rural development will be 3,05% in stead of 6% of the budget for market measures.

The conclusion is that the reform proposals make only a small step away from support for food production to support for rural development. Apparently the political priority is to make farmers comply with European statutory standards through cross compliance linked to decoupled income support payments. Reward for farmers who produce services for society above those standards has a lower priority.

Because meadow bird protection has become a service above European statutory standards, rural development measures targeted at the protection of meadow birds are more promising/effective than market measures. The RSPB recommendation to return to the original proposal that **all** degressed funds are allocated to the Rural Development budget is appropriate for the Netherlands. We support this recommendation under the condition that no quota increase takes place (saving additional compensation payments) and a substantial amount of degressed funds is earmarked for the protection of meadow birds. In this way the effects of the dairy reforms is softened for dairy farmers who are actively protecting meadow birds.

As mentioned earlier Rural Development Plans are co-financed from the Community budget. Member states may increase their financial share in the Rural Development Plans, if they consider it a political priority. Given the actual budgetary constraints in the Netherlands, it is unlikely that the national government will use this option.

Because meadow bird protection has become a service above European statutory standards, rural development measures targeted at the protection of meadow birds are more promising/effective than market measures.

4.2.2 Broadening the scope for measures in pillar 2

The European Commission has proposed the introduction of a new Chapter entitled 'Meeting Standards', comprising two measures:

- Possibility for Member States to offer temporary and degressive support to help their farmers to adapt to the introduction of demanding standards based on Community legislation concerning the environment, public, animal and plant health, animal welfare and occupational safety. Aid levels must be modulated to take account of the level of additional obligations and operating costs for farmers associated with the introduction of a particular standard. Aid will be payable on a flat-rate basis, and degressive for a maximum period of 5 years. Aid will be subject to a ceiling of maximum EUR 10 000 per holding in a given year. In no case will aid be payable where the non-application of standards is due to the non-respect by an individual farmer of standards already included in national legislation.
- Support for farmers to help them with the costs of using farm advisory services. Farmers may benefit from public support of up to a maximum of 95% of the cost of such services the first time they are used, subject to a ceiling of EUR 1 500.

Moreover the European Commission has proposed the possibility to pay farmers who enter into commitments for at least 5 years to improve the welfare of their farm animals and which go beyond usual good animal husbandry practice.

The RSPB points to the risk that expanding the objectives without increasing the funds significantly will make it unlikely that any of the rural development objectives will be fully met. In the Netherlands it is likely that protection of meadow birds will suffer. Nevertheless, the government may decide to allocate a bigger share of the rural development budget for meadow birds protection than it actually does. This requires a clear articulation of the need for meadow bird protection from society.

4.3 Effects for the Black-tailed Godwit

The limited resources for rural development is the biggest threat for the Black-tailed Godwit. The Commission broadened the scope for rural development without offering adequate resources for them. The question is therefore how much priority the Dutch government will put on protection of the Black-tailed Godwit. Between 52 and 72 million Euro² is required for a new agri-environment scheme to compensate income foregone and costs incurred for conservation of 60.000 breeding pairs of the Black-tailed Godwit in the Netherlands. This claim is bigger than the transfers from the first to the second pillar will provide (see also 5.1.2).

Other rural development measures could possibly support up-take and conservation benefits of a new agri-environment scheme for meadow bird conservation such as coverage of the management costs of farmers co-operatives for conservation and

² Based on old calculations not taking the Commission proposals into account and excluding and incentive payment of maximum 14 million Euro and LFA payments

coverage of the costs for farm advice. The latter under the condition that farm advisors also advice on agri-environment schemes and not exclusively on statutory standards and good agricultural conditions.

4.4 Definition of Good Farming Practice

In the light of what was said above about the limited financial resources for rural development and possibly fierce competition on division of the resources, it may be tempting to define protection of meadow birds as Good Farming Practice. The advantage is that it could be linked as a cross compliance condition to the decoupled direct income support payments. However, the next chapter will make clear that this is not a good idea.

5 Market measures (Pillar 1)

In this chapter we assess the opportunities and threats to the protection of meadow birds associated with the reform proposals of the European Commission on market measures.

5.1 Threats for meadow birds of market measures

Threats in the Commission proposals related to the market measures for meadow birds are in:

- Cuts of the intervention prices for butter and skimmed milk powder;
- Degression and modulation of direct income payments;
- Transferable payment entitlements;
- The obligation to apply the Integrated Administration and Control System (IACS) to all 38 Statutory management requirements (in Annex III) and good agricultural conditions (in Annex IV).
- Inequity between market measures and rural development (pillar 1 and 2).

Hereafter we go into detail.

5.1.1 Price cuts for milk

The European Commission has proposed to replace the uniform reduction of 5% per year foreseen in Agenda 2000 by asymmetric intervention price cuts of 3.5% per year for skimmed milk powder and 7% per year for butter over the five year period. On the whole this 35% reduction in butter prices and 17.5% reduction in skimmed milk powder prices corresponds to a global reduction of 28% for EU milk target prices over 5 years. The price of milk (on the basis of 3,7% fat) decreases from Euro 30,98 in 2004 to Euro 22,21 per 100 kg after 1 July 2008. Intervention purchases of butter will be suspended above a limit of 30.000 tonnes per year. Above that limit, it is proposed that purchases may be carried out under a tender procedure.

The Agricultural Economics Research Institute (LEI) has calculated that the direct effect on the incomes of dairy farmers will be a decrease by almost 50%, because of the partial (50%) compensation for price cuts. The dynamic effects in the long term were also estimated. The quota increase tempers the decline of the number of dairy cows but still the number of cows is likely to further decrease by 17% (in 2012 compared to 2002). The production of milk per cow will increase with the same percentage. The grassland area and fodder maize area will decrease by 4% and 28,5%, respectively. Dairy production (in tonnes milk) will decrease by 5,5% in the regions with wet peat soils in the West (an important area for the Black-tailed Godwit!) and increase by 20,2% in dry peat soils in the East, by 11,1% in the regions with clay soils (also important for the Black-tailed Godwit) and by 2,1% in regions with sandy soils.

The Dutch Union of Dairy Farmers and the Dutch Young Farmers Organisation are opposing the dairy reform package and especially the price cuts. They claim the actual structural milk surplus of 7% in the EU is responsible for the low milk price inside the EU as well as on the world market. They are prepared to phase out the surplus and give up market share at on?? the world market in order to maintain a milk price that covers the costs of production.

According to the RSPB the dairy proposals will exacerbate pollution problems in the United Kingdom in a sector already facing considerable environmental challenges. In the Netherlands the pollution problems caused by nitrate and ammonia are likely to diminish because of diminished manure production³ (De Bont et al. 2003). Additional research would be needed to assess the effects of the Commission proposals for environment, nature and landscape at micro level.

5.1.2 Degression of direct income payments

In Agenda 2000 it was foreseen that the price cuts will be compensated for about 50% with income support payments. On top of that the European Commission proposed a system of degression on direct payments in order to ensure a better balance of support and to provide a predictable and transparent framework to meet future financing needs. All the amounts of direct payments are reduced for each year until 2012 with percentages starting at 1% in 2006 to 19% in 2012. Degression does not apply for the first EUR 5000 of direct payments and applies for 50% for the amounts exceeding 5000 and up to EUR 50.000. Farmers receive (part) of the degressed payments in the form of additional amounts of aid. There is a ceiling on the total additional amounts of aid to be paid to farmers in one member state. In the Netherlands from 2.3 million Euro in 2006 up to 84 million Euro in 2012. Most dairy farmers in the Netherlands will receive between 5000 and 50.000 Euro direct payments and this implies a reduction of these payments by up to 12,5% in 2012.

In Agenda 2000 it was foreseen that the price cuts will be compensated for about 50% with income support payments. On top of that the European Commission has now proposed a system of degression on direct payments in order to ensure a better balance of support and to provide a predictable and transparent framework to meet future financing needs. All the amounts of direct payments are reduced each year until 2012 by percentages starting at 1% in 2006 to 19% in 2012.

Modulation

Within the system outlined above the modulation part resulting from degression, starting at 1% in 2006 and rising to 6% in 2011, shall be made available to the Member States as additional Community support for measures to be included in the their rural development programming. These amounts will be allocated between member states according to criteria of agricultural area, agricultural employment and GDP per capita in purchasing power. The remaining amounts will be made available for additional financing needs of new market reforms (e.g. the dairy reform). Degression and modulation will not apply in the new Member States until the phasing-in of direct payments reaches the normal EU level.

³ 3,5% increase of milk and manure will be more than compensated by the increase of milk production per cow of 17%

For the Netherlands, the total ceiling of single payments is 861 million Euro per year (De Bont et al. 2003). In 2011 maximum 6% of this amount will become available for rural development, being 50 million Euro. With 40% national funding additional resources for rural development amount 83,3 million Euro. What part of this amount could become available for the protection of meadow birds is a matter of political prioritising.

5.1.3 Entitlements and their transfer with and without land

The European Commission has proposed to break down the single farm payment into payment entitlements in order to facilitate their transfer. Each entitlement will be calculated by dividing the reference amount by the number of hectares, which gave rise to this amount (including forage area) in the reference years.

A claim for payment under entitlement must be accompanied by an eligible hectare defined as any agricultural area of the holding. Eligible hectares will not include area under permanent crops, forests and area used for non-agricultural purposes on 31 December 2002. For livestock production without an equivalent land base or where the entitlement is above EUR 10 000 a special payment entitlement will apply with corresponding conditions. National ceilings for the single farm payment and the special payment will be established. 1% of this amount at member state level will be reserved for hardship cases.

Entitlements may be transferred, with or without land, between farmers within the same Member State. Lease of entitlements is allowed only if the entitlements are accompanied by an equivalent number of eligible hectares. A Member State may define regions within which transfers are limited. Moreover, it will be open to Member States to adjust entitlements with respect to regional averages.

Farmers may use this land for any agricultural activity except permanent crops. Any entitlement which has not been used in a period of a maximum of 5 years, apart from *force majeure* and exceptional circumstances shall be allocated to a national reserve.

At the moment it is not yet clear how the transfer of entitlements is designed precisely. Some concerns with the transfer of entitlements are that:

- Transfers without land may offer opportunities for creative farmers to escape from cross compliance;
- In addition, farmers may use such transfers to finance investment in factory farming;
- Distortion of competition among farmers. For example, a horticultural farmer without payments has to compete with a new farmer who does receive payments;
- Owners and tenants of agricultural land with an entitlement are affected in different ways by the transfers (e.g. rent may rise);
- Entitlements may leave the agricultural sector.

The RSPB recommends that a link between land and entitlement should be enforced to prevent speculative trading of entitlements. Failure to do this could lead to an artificial quota system, increased administration and farm management costs, accumulation of payments on patches of land with inflated values and entitlements leaving agriculture.

5.1.4 Enforcement of cross compliance conditions

According to the European Commission the integrated administration and control system (IACS) will have to be adapted on the basis of the new provisions relating to direct aids. In particular, the introduction of the single farm payment will lead to a simplification of a key component of the present IACS, since the identification of COP and livestock production will no longer condition the new single farm payment, except for those products continuing to benefit from a crop-specific payment such as rice or durum wheat. The current monitoring and control system for payments will be used to facilitate cross checks between payment entitlements and the surfaces needed to activate them. The system for identifying agricultural parcels therefore remains fundamental to the new IACS.

Aid applications will need to be subject to administrative controls relating to the eligibility of surfaces and the existence of the corresponding payment entitlements. These administrative controls will have to be complemented by on-the-spot checks, made on a sample basis, which could employ teledetection methods to control surfaces. Together these controls and checks, which will have to be co-ordinated by a designated competent authority, will give rise to aid reductions or exclusions where it is found that the eligibility conditions have not been met.

It should be noted that controls relating to cross compliance will also be covered by the new IACS, which therefore will not be limited to eligibility conditions. In this way, the proposal represents a fully integrated administration and control system. It is foreseen in this respect that the control systems already existing in the Member States to verify respect of statutory management requirements and good agricultural conditions may be used in the framework of IACS, with which they will also have to be compatible. This concerns *inter alia* the identification and registration system for animals pursuant to Directive 92/102/EEC and Regulation (EC) No 1760/2000. The system for administering and controlling those aid schemes laid down in Annex IV of the proposal for the horizontal Regulation will also have to be compatible with IACS.

Farmers are supposed to produce according to statutory standards the enforcement procedures the Commission is demanding will put a big administrative burden on governments and will also negatively affect farmers. Farmers in the Netherlands will be inspected more frequently than is presently the case (an estimated 10 times more). If a farmer is selected for an 'on-the-spot check' he may get more than twelve different inspectors on his farm to verify implementation all the 38 European statutory standards and good agricultural conditions.

LTO Nederland supports cross compliance in principle. However they do not accept the steep increase of inspections. The Netherlands Society for Nature and Environment (SNM) is keen to develop a simple enforcement system together with LTO Nederland without jeopardising the environmental benefits of cross compliance.

There is no formal assessment of the effects of enforcement of statutory standards on meadow birds. Since a small number of the standards affect meadow birds directly and compliance with these standards is not a major problem in the dairy sector, positive effects are likely to be small.

5.1.5 Effects for the Black-tailed Godwit

The likely effects of the dairy reform in the Netherlands are a combination of scaling-up and intensification.

Dairy farmers who have the opportunity will scale-up their quota, land and animals. At dairy farms with more than, say, 200 milking-cows the cows will stay inside all year long because walking distances to the meadows will become too long (Van der Weijden and Verschuur 2001). Another reason is trampling damage that negatively affects grassland yields. This will hit the habitats of the Black-tailed Godwit in two ways. Firstly, less food for Godwits from cow pat. Secondly, decreased structure of grassland that is the result of pasture and decreasing feed habitat for adult birds.

Because quota and land are costly, dairy farmers will further intensify milk production per cow and per hectare in order to reduce costs per kilogram of milk. This could imply bigger parcels and bigger mowing machines. For the Black-tailed Godwit the risk is that farmers will rapidly mow all the grass for grass in silage and this would severely reduce the opportunities of refuge and food for the young birds. If mowing starts early, breeding will be disturbed.

5.2 Opportunities for meadow birds of market measures

Opportunities in the Commission proposals related to the market measures (pillar 1) for meadow birds are in:

- The single payment scheme applied in the dairy sector reducing the effects of the milk price decreases on incomes of dairy farmers;
- Additional payments to milk producers reducing the effects of depression on the income of family farmers;
- The seven European statutory standards (Annex III) in the field of environment, that are used as cross compliance conditions for payments in the single payment scheme;
- Good agricultural conditions (Annex IV) defined at member state level that are also used as cross compliance condition on the single payment scheme:
- Maintenance of the dairy quota system;
- Obligatory participation in farm advisory systems for farmers receiving more than 15.000 Euro direct payments.

Hereafter we go into detail.

5.2.1 Dairy quota system

In order to provide a stable perspective for dairy farmers, the European Commission has proposed the prolongation of a reformed dairy quota system until the 2014/15 campaign. In Berlin in March 1999 the European Council decided to delay the entry into force of reform in the dairy sector due to budgetary considerations. Because the budget now allows it, the Commission has proposed to start with the dairy reforms in 2004 in stead of 2005. Furthermore, the Commission found it is necessary to reduce the support price for milk with a corresponding quota increase of 1% per year in 2007 and 2008 based on reference quantities after the full implementation of Agenda 2000 (European Commission 2003).

The dairy quota system is playing different roles in the various EU member states. In the Netherlands the system is stabilising incomes of dairy farmers but also fixes the manure production on dairy farms. The quota system is replacing in the dairy sector a system of manure production rights in the poultry and pig sectors, an important element of Dutch nutrients policy. Without a quota system the milk and manure production and corresponding emissions would increase substantially.

The planned increase of the dairy quota by 3,5% is questionable. Firstly, it is premature because it is impossible to predict how export markets for dairy products will develop in the coming years. Significantly, the dairy industries in the Netherlands are not enthusiastic about the idea because they are already losing money with the export to the world market of butter and skimmed milk powder. Secondly, the regime of export subsidies on dairy products will be maintained in the coming ten years⁴. This is weakening the credibility of the EU in the Doha development round of the WTO. Thirdly, it would increase the number of animals, manure and ammonia, although this effect is diminished by the increase milk production per cow.

The Dutch Young Farmers Organisation (NAJK) is in favour of a cut of the dairy quota because it will increase milk prices (and farmers income) inside the EU while reducing price distortions at the world market. According to NAJK the world market is a dump market for surpluses at prices below cost of production. It does not make sense to be willing to produce for the world market. The Dutch Union of Dairy Farmers has a similar position.

5.2.2 Single Payment Scheme

The European Commission has proposed a single farm payment will replace most of the premia under different Common Market Organisations. Farmers will receive a single farm payment based on a reference amount covering payments for arable crops, beef and veal, milk and dairy, sheep and goats, starch potatoes, grain legumes, rice, seeds, dried fodder in 2000 to 2002.

The obvious advantage of this decoupling is that farmers do no longer produce for the crop or animal premia and get more flexibility to adapt production to market needs. Ecological effects will differ from region to region. For example in Wales, the problem of overgrazing by sheep is likely to diminish. On the other hand, in Scotland and Sweden the problems with abandonment of land are likely to exacerbate because farmers do no longer need to keep the same livestock numbers for the entitlements.

The Agricultural Economics Research Institute (LEI) has warned that farmers may use their entitlements without actually producing and working on the land. The LEI is questioning the long term justification of the entitlements for such 'retired' farmers. The entitlements may also be used for the transition from food production to other activities inside or outside the agricultural sector, therewith causing imbalances in those markets (De Bont 2003).

The Dutch Union of Dairy Farmers and Dutch Young Farmers Organisation (NAJK) prefer a milk price that covers production costs instead of direct income payments.

⁴ Because of the price cuts quota increase does not necessarily lead to an increase of the amount spend on export subsidies for butter and skimmed milk powder.

The Netherlands Society for Nature and Environment (SNM), traditionally advocating decoupled payments, is uncertain if they should support the Commission proposals. The decoupled payments based on reference amounts continue to favour the big and intensive farms, while farmers applying more extensive and sustainable production methods receive less support. In addition extensively used land may be converted to intensively used land (bulbs, vegetables or potatoes) while the entitlement is maintained.

The RSPB regards the current decoupling proposals as a first step on the road to simpler and more equitable basic support payments for agriculture. The RSPB is opposed to the dairy reforms because it does increase net sector costs of the dairy sector, erode the second pillar and redistribute funds towards the relatively wealthy dairy sector and relatively wealthy member states (the Netherlands, Germany, United Kingdom, France and Italy).

Concerning the argument of the relatively wealthy dairy sector, this relative wealth will be effectively diminished by this reform because only 50% of the price decrease will be compensated and estimated direct income loss is 50% (De Bont et al. 2003). The risk is that dairy farming in marginal areas (usually good for the Black-tailed Godwit) ceases to be viable.

5.2.3 Cross compliance and good agricultural conditions

The European Commission has proposed compulsory cross-compliance applying to statutory European standards in the field of environment, food safety, animal health and welfare and occupational safety related to the farm level (annex III contains 38 EU Directives and Regulations). In order to avoid land abandonment and subsequent environmental problems, beneficiaries of direct payments will also be obliged to maintain all agricultural land in good agricultural condition (annex IV) and the obligation of maintenance of permanent pasture. This will be applied as a whole-farm approach, and sanctions will be applicable to any case of non-compliance on a beneficiary's farm. It will apply to all sectors and apply to used as well as unused agricultural land.

Farmers receiving the single farm payment or other direct payments under the CAP who do not comply with these statutory standards will be subject to a system of sanctions. The penalty will take the form of a partial or full reduction of the aid (depending on the severity of the case). Maximum 10% and in case of repeated non-compliance 20%, intentional non-compliance from 50% up to exclusion. Member States may retain 20% of the amounts (European Commission 2003).

The cross compliance conditions and enforcement system proposed provide the European Commission with a stick to improve compliance of its member states with European environmental legislation. The advantage is that the European Commission can defend the direct payments to WTO partners as contributing to relatively high standards for non-trade concerns. The decoupled payments shift from the blue box to the green box of the WTO Agreement on Agriculture.

Because the scope of cross compliance is so broad, obviously not all standards are relevant for the protection of meadow birds. It is important to identify what level of protection the minimum standards offer. All protection that meadow birds require *above* that level needs to be defined as a public service for which should be paid under an agri-environment scheme.

Table: Relevant statutory standards and good agricultural conditions for the protection of meadow birds

European statutory Standards (Annex III)	Standards	Comments
Birds Directive 79/409/EEC	Articles 3, 4,5 and 9	
Nitrates Directive 91/676/EEC	Articles 4 and 5	This directive ensures maximum stocking densities. For the Netherlands the scope for intensification is to a large extent dependent on this Directive
Groundwater Directive 80/68/EEC	Article 4 and 5	The groundwater level is determining the availability of food in the topsoil and the mowing date
Good agricultural Conditions (Annex IV)	Standards	
Soil organic matter	-Principles and standards for crop rotations -Rules where renewal of permanent pasture is undertaken	-Monoculture of silage maize? -Generally, more organic matter in soil enhances development of soil life, e.g. earth worms, serving as food for meadow birds. -Renewal of grassland is detrimental for soil organisms.
Soil structure	-Appropriate machinery use -Maximum stocking rate levels to avoid damage to soil structure	-Soil condensation hampers the feeding of those meadow birds which are dependent on food occurring in the topsoil.
Minimum level of maintenance	-Minimum livestock stocking rates or/and appropriate regimes -Protect permanent pasture through principles and standards restricting use changes -Retention of field boundaries and landscape features -Avoiding the encroachment of shrubs on agricultural land	-Obligation to pasture or to bring manure on the fields? -Restrictions on use changes towards silage maize and bulbs? -If no maintenance the field boundaries will deteriorate gradually. -This is a problem in nature reserves where land is not properly managed for Godwits as bird conservation goals shift to botanical goals. In the Netherlands is mowing after 1 July already a symptom of land abandonment.
Obligation to maintain permanent pasture	-Permanent pasture on 31 December 2002 may not be ploughed.	-Prohibition of silage maize on pure peat soils?

However there are some concerns expressed by different organisations on the level of protection, the list of statutory standards, good agricultural conditions, the ban on ploughing of permanent pasture, and the receipts resulting from non-compliance.

The level of protection

The position of the RSPB is that cross compliance conditions should be developed to ensure a higher standard than that already enforced by legislation.

According to SNM the statutory management requirements for good agricultural conditions fix entitlements for payments to agricultural practices at a level that already exists or should exist. That is meagre but defensible if benefits for environment, nature and landscape are obtained. SNM is worried that the cross compliance conditions (respect the statutory management requirements, the good agricultural conditions and maintain land under permanent pasture) are not hard enough to avoid pollution and to keep marginal land in production.

For the Netherlands the position of the RSPB would be disastrous for meadow birds. By making single payments conditional on a high level of protection, eventually the basis for agri-environment payments will be reduced. Dairy farmers in marginal areas in the Netherlands (usually good meadow bird areas) will be severely hit by the dairy reforms. With additional strong conservation conditions these farms may cease to be viable. Agri-environment payments could keep these farms viable, under the conditions payments are sufficient. Imposition of high levels of protection would reduce the basis for attractive payments.

Good agricultural conditions

The RSPB recommends that Good Agriculture Conditions at Annex IV should set a framework of principles at the EU level, which is implemented with appropriate standards at the Member State level. In the Netherlands there is no problem with land abandonment, the main reason for the Commission to propose Good agricultural conditions. The Dutch Ministry of Agriculture, Nature Management and Fisheries has proposed to make this facultative for the member states because the Netherlands does not want to use it. The reason is that Good Agricultural Conditions are all set above the level of statutory standards and this undermines the logic of using cross compliance for non-compliance with statutory standards. This argument fits in with our argument on the level of protection.

Ban on ploughing of permanent pasture

The RSPB is afraid that the ban on ploughing all permanent pasture will fossilise current land use patterns and prevents a return to more mixed farming. *They recommend moderation of the ban to provide statutory protection to all valuable grasslands.* In the Netherlands permanent pastures occur mostly in the strict peat areas in the western and northern parts of the country. These represent the most valuable areas for the Black-tailed Godwit in the Netherlands. In most other parts of the Netherlands, in dairy farm areas grassland is mixed and often rotated with maize land; renewal of grasslands takes place on a more or less regular base. In the Netherlands, protection of permanent grassland is important. However, the question is if farmers should be forbidden to plough permanent pasture or should be paid for maintaining it.

Receipts resulting from non-compliance

If member states have the right to retain the receipts resulting from non-compliance and withholding the direct payment, they can decide themselves on spending it. In the Netherlands the government could for example decide to spend it on agri-environment measures (including protection of meadow birds).

5.2.4 Participation in farm advisory systems

The European Commission has proposed mandatory participation in a farm advisory system as part of cross-compliance requirements. Farmers who are not participating in an approved farm advisory system are sanctioned with reductions or exclusion from payments. Its introduction, in the first instance, will be limited to producers receiving more than EUR 15 000 per year in direct payments or with a turnover of more than EUR 100 000 per year. Other farmers will be able to enter the system on a voluntary basis. This service will provide advice through feedback to farmers on how standards and good practices are applied in the production process. Farm advice (audits) will involve structured and regular stocktaking and accounting of material flows and processes at enterprise level defined as relevant for a certain target issue (environment, food safety, and animal welfare). Support for farm advice will be available under rural development. Farmers receiving more than 15.000 Euro of direct payments or a turnover of more than 100.000 Euro per years are obliged to participate in a designated (or approved private) farm advisory body. A supervising authority should supervise and approve the farm advisory bodies. (European Commission 2003)

The European Commission obviously regards mandatory farm advice as a tool to enhance compliance with statutory standards and good agricultural conditions. It will likely enhance registration and input-output accounting at farm level. However, these proposals only make sense for the protection of meadow birds if the farm advisors do not stop their advice at the level of statutory standards and good agricultural conditions. The RSPB recommends that farm advisors should focus on the environmental and economic benefits of better practice and agri-environment opportunities.

An accreditation system for farm advisors has the disadvantage that it increases the administrative load on the government. According to the RSPB the advantage is that it can ensure consistent quality of delivery and assists the achievement of Government targets for sustainable farming.

5.2.5 Effects for the Black-tailed Godwit

The biggest threat for meadow birds in the Netherlands is the expected income decrease of 50% of dairy farmers. Maintenance of the quota system at the current level (no quota increase) would temper the income decrease of dairy farmers and avoid increased pollution of manure and ammonia in the Netherlands. The single payment scheme offers dairy farmers the opportunity to change land-use. In strict peat areas (good breeding areas of Black tailed Godwit) land-use change is undesirable for meadow bird conservation. Concerning the effects of transfers of payment entitlements, much will depend on the precise design of the transferability. However, a link of the entitlements to the land is important for the implementation of cross compliance. In principle, cross compliance does not enhance the requirements put on farmers. This can not be said of Good Agricultural Conditions and the ban on ploughing up of permanent pasture, because these will be new standards above statutory standards. The risk is that by putting the conservation requirements above legal standards, dairy farming in marginal areas (usually important for meadow birds conservation) ceases to be viable. High conservation standards will also negatively affect the level of agri-environment payments for meadow birds conservation. Obligatory farm advice only make sense for the protection of meadow birds if advice on agri-environment opportunities is part of it.

6 WTO and EU enlargement

In this chapter we present some international tendencies that may have an effect on birds protection in The Netherlands. The issues are:

- the shrinking Community budgets for agriculture
- increased competition within an enlarged union
- justification for direct payments in the long term
- grounds for payments to farmers
- licence to produce.

Although the focus remains on the Netherlands we broaden the scope to birds protection at the European level.

6.1 Shrinking EU budgets for agriculture

The European Commission has proposed in the budget for market measures in the EU-15 an annual growth of 1% from 41.3 billion Euro in 2004 to 43,5 billion in 2013. If inflation is higher than 1% per year the budget for market measures will decrease in net terms. More than 70% of this budget is meant for decoupled direct income support to farmers under the single payment scheme.

With the introduction of degression the European Commission obtains a tool to keep the budget in balance. The Commission can raise the degression percentages on direct payments costs in case of, for example, future (sugar) reforms or animal disease epidemics. Whether or not this will happen remains to be seen.

With shrinking budgets for market measures and low ambitions for rural development with Community funds, Member States may decide to raise national budgets for rural development. In The Netherlands and other rich member states resources for rural development might be found with regional governments and water bodies as well as the private sector. In poorer member states there is a risk that there will be insufficient resources for rural development. Ongoing land abandonment tendencies will jeopardise the protection of farmland birds in those countries.

6.2 Increased competition within an enlarged EU

In 2004 ten countries are likely to enter the European Union and in 2007 the EU may be further enlarged with Bulgaria and Romania, perhaps followed by Turkey. The EU-25 and later EU-27 will face increased competition among its farmers. For the Dutch dairy sector the enlarged Union implies increased competition with dairy producers in for example the Baltic States and Poland. Hygiene standards may constrain the export of dairy products and red meat from these countries for some time, but exports from the candidate countries will almost certainly increase, although the scale of imports will likely remain limited. (Massink and Meester 2002)

With regard to competition on quality, milk products from other (new) EU countries may increasingly compete with Dutch products as well. For example speciality milk products in niche markets, from cultural landscapes, with high biodiversity values, such as the wetlands in the Biebrza river valley in the North East of Poland.

6.3 Justification of direct payments in the long term

In the WTO the current direct income support to farmers in the EU has been severely criticised although it was accepted as a blue box measure in the Uruguay Round. The Commission proposals respond to this pressure by proposing decoupled income support in the form of a single payment scheme. Thus the direct income support qualifies for the Green Box, which is much less challenged in the WTO. In the candidate countries the cross compliance proposals do not apply until the moment that payment levels are at EU level. This implies that, for the time being, increased compliance with basic statutory standards in the candidate countries can only be encouraged through an appropriate definition of Good Farming Practice as a basis for agri-environment payments in the second pillar.

With the proposals the European Commission also responds to criticism from inside the EU on justification of direct income support. Direct payments may more readily be considered justified if statutory European standards in the field of environment, food safety, animal health and welfare and occupational safety related to the farm level are higher than standards of countries outside the EU. The argument would then be that without those direct payments other countries may out-compete EU farmers with lower production costs resulting from lower standards.

If the European standards are not higher than elsewhere, then the direct payments are only justified in case of public services *beyond* statutory standards. Then the decrease of the first pillar and the increase of the second pillar may well become the main issue of the next CAP reform.

6.4 Remuneration under agri-environment schemes

Taking a closer look at the remuneration of agri-environment schemes in the green box, agri-environment payments are not fully decoupled from agricultural production. Payments for nature and landscape need to be based on 'income foregone' in the agricultural sector. A second basis for payments is 'costs incurred'. The European Commission has added an incentive payment of maximum 20% as a third basis in Regulation 1257/99 on support for rural development.

If meadow bird protection is to be regarded as a public service the question rises whether payments for this activity should continue to be linked to (decreasing) farm incomes. Firstly, payments based on income foregone and costs incurred do not seem to be very cost-effective from an ecological viewpoint. Payments based on ecological results seem much more cost-effective, at least in theory. Secondly, there is a risk that with the marginalisation of dairy farming the protection of meadow birds decreases because payments will no longer be sufficient for appropriate protection. Terwan et al. (2002) have proposed to modify WTO green box provisions so as to allow for remuneration systems for agri-environment payments that are decoupled from agricultural production, Options are:

- payments for actual results

- market oriented systems such as tendering and payments following from price negotiations on an exchange market for green services.

6.5 Licence to produce and licence to deliver

The European statutory standards, good agricultural conditions as well as voluntary codes of Good Farming Practice do not only provide a basis for payments from the EU ("licence to produce") and member states, but may also increasingly be used on the market ("licence to deliver"). The supermarket chains participating in the EurepGap scheme have already given a clear signal to producers that they should produce according to their standards. Supermarkets are likely to enforce similar standards globally. With decisive power concentrated in the downstream sectors, the issue of sustainability of the entire food chains is rising. In the UK there is a benchmarking system operational to compare the sustainability of supermarkets (called 'race to the top'). Also in the Netherlands there is increased pressure on supermarkets to take sustainability seriously. Within ten years time this may offer additional opportunities to protect meadow birds in the Netherlands through co-operation with the food chain.⁵

6.6 Effects for the Black-tailed Godwit

In the long term it is likely that liberalisation of the dairy sector (inside the enlarged EU and globally) will continue. As a result, competition between dairy farmers will increase and intensification tendencies will continue. The involvement of governments in payments for meadow bird protection will depend on how it is defined: as a green service or as Good Farming Practice. Co-operation between conservation NGOs, dairy industries and supermarkets may offer additional opportunities for meadow bird protection.

⁵ This kind of co-operation has already started on a limited scale. One Dutch dairy offers 4 Euro for the Black-tailed Godwit campaign when consumers buy (a maximum) of twenty litres of organic milk of their label.

7 Conclusions and recommendations

In this chapter we recommend policy measures that can help ensure the development of a sustainable breeding population (of 60.000 breeding pairs) of the Black-tailed Godwit in the Netherlands. Recommendations are presented in *italics*.

7.1 An agri-environment scheme for the Black-tailed Godwit

In 2003 European co-financing of the Dutch Rural Development Plan is 59 million Euro. On the protection of nature and landscape 21 million Euro EU funds are budgeted. Surprisingly, there are no reliable estimates on the available budget for meadow birds. Through modulation maximum 83,3 million Euro additional funds will become available for rural development in 2011. Which part of these funds will become available for the protection of meadow birds is a matter of political prioritising. For 400.000 hectares of land under a Black-tailed Godwit scheme between 62 million and 86 million Euro would be needed per year (including a 20% incentive payment).

The protection of meadow birds in the Netherlands needs to be based on agri-environment payments, because this is a service that is impossible to realise on a sufficient scale through market measures. Protection of the Black-tailed Godwit requires co-operation between farmers and therefore some kind of planning and co-ordination is required.

- *Develop an agri-environment scheme especially for protection of the Black-tailed Godwit and associated meadow birds.*
- *Make sure that provinces determine all the important areas for the Black-tailed Godwit as eligible area for the scheme.*
- *Use the new indent in article 33 of the rural development regulation on management costs associated with local partnership groups to support farmer co-operatives for conservation.*
- *Make the maximum 20% incentive payment as top-up of the agri-environment payment conditional on participation in a farmer co-operative for conservation.*

7.2 Market measures (pillar 1)

The biggest threat for meadow birds in the Netherlands is the expected income decrease of 50% of dairy farmers. An increase of the dairy quota will put additional pressure on incomes of dairy farmers, will lead to more rapid scaling-up of farms and will lead to more and more cows being kept indoors all year round, disappearing from the landscape and leaving less food for meadow bird chickens. However, under the present policy quota prices have become high and boost production costs.

- *Abandon the proposed increase of milk quotas, as long as demand from the world market is not growing substantially.*

- *Increase modulation from market measures to rural development and earmark a substantial part of the modulated resources for farmland bird conservation.*
- *The Dutch government should actively pursue lower quota prices. This can be achieved by abandoning fiscal advantages for quota transfers.*
- *Vogelbescherming Nederland should co-operate with other Dutch organisations claiming a substantial proportion of the modulation resources for an agri-environment scheme for the Black-tailed Godwit, especially if the financial resources in the present Rural Development Plan cannot be increased for this purpose.*

Good Agricultural Conditions and the ban on ploughing up of permanent pasture, imply new standards above statutory standards. The risk is that because of new requirements above present legal standards dairy farming in marginal areas (usually important for meadow birds conservation) ceases to be viable. High conservation standards will also negatively affect the level of agri-environment payments for meadow birds conservation.

- *Do not to implement Good Agricultural Conditions above present legal standards and put maintenance of permanent pasture under an agri-environment scheme.*

7.3 International tendencies

In spite of being presented as decoupled support, the present remuneration system for agri-environment payments is to some extent still coupled to agricultural production through the principle of 'income foregone'.

- *Seek a provision in the WTO green box allowing remuneration systems for agri-environment payments that are fully decoupled from agricultural production, such as payments for actual results or market oriented systems such as tendering and payments following from price negotiations on an exchange market for green services.*

In the long term, protection of the Black-tailed Godwit cannot be expected to be a responsibility of the Dutch government only. Shrinking budgets for the Common Agricultural Policy illustrate the reduced political will to be involved in support of the agricultural sector. Although there seems to be much more political will to sustainably finance green services such as protection of the Black-tailed Godwit, internationally agreed remuneration systems limit the possibilities of governments to pay farmers (see previous point). Additional financial support from the private sector can make the difference for a stable population of the Black-tailed Godwit. Supermarkets have a dominant position in the food chain and if citizens and consumers want it, they will also take responsibility for the protection of this natural and cultural heritage of the Netherlands. However, the development of this private approach could take many years.

- *Vogelbescherming Nederland should start to pursue a second, private approach towards sustainable protection of the Black-tailed Godwit through alliances with other non-governmental organisations and co-operation with farmers, processors and retailers.*

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