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High Nature Value farming throughout EU-27 and its financial support under the CAP

Executive summary

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The **European Forum on Nature Conservation and Pastoralism (EFNCP)** is a European network dedicated to improving understanding and awareness of the farming systems that are most beneficial to biodiversity and in the delivery of wider environmental services. EFNCP's particular focus is on pastoral farming systems that use semi-natural forage resources. For further information about EFNCP, see our website at http://www.efncp.org/.

Executive summary

High Nature Value (HNV) farming is a relatively new concept that describes the farming systems in Europe of greatest biodiversity value. The environmental importance of HNV farming has been recognised for some time, but there has been very little research done on the agricultural and economic aspects of HNV farming or on the support provided by the Common Agricultural Policy, which is the main source of public funding for environmental management of farmland in the EU.

Economic pressures have caused and continue to threaten the abandonment or intensification of large areas of HNV farmland, with irreversible loss of the associated habitats and species of European importance for biodiversity. HNV farming is essential if the EU is to meet its 2020 biodiversity targets, but the policy context of recent years seems to be failing to halt the decline of HNV farming, with notable exceptions in certain cases.

This study is intended to contribute to the evidence base to inform the design of future EU policy for HNV farming.

Characteristics of HNV farming in the EU

HNV farming is characterised by long-established, low-intensity and often complex farming systems using labour intensive practices, livestock breeds and crop types highly adapted to local soils, vegetation and climate. HNV farms vary in size, structure and land tenure, often using common pastures.

HNV farming has created and maintains habitats that are amongst the most important for biodiversity in Europe. These include a wide range of semi-natural habitats (typically with high species diversity and unique species communities), as well as habitats that are less natural but nevertheless are the main refuge for a significant number of farmland species. Many of these habitats and species are scarce and/or declining and, as a result, are the focus of conservation measures under the EU Birds and Habitats Directives.

HNV livestock and mixed farming systems occur throughout the EU, providing the grazing livestock that maintain a wide variety of important habitats, including traditional wooded pastures found on a large scale in parts of the Mediterranean and the south-east, and on a smaller scale in other regions. HNV permanent crop and arable farming systems occur predominantly in southern Member States.

Landscapes where most of the farms are managed under a low-intensity HNV farming system are the most valuable for biodiversity, but no longer exist in some Member States. Where these do survive they are often economically vulnerable and at high risk of abandonment or damaging structural change. Elsewhere, HNV farmland habitats such as semi-natural pastures are still a functional part of farm businesses that depend on other more intensively managed land. On fully intensive farms, surviving remnants of HNV land, often with no functional role in the farm business, can be valuable for biodiversity. Although the biodiversity of these remnant HNV patches may be constrained by their small size and

isolation, they are important within the wider agricultural landscape as stepping-stones, helping to maintain connectivity amongst other patches of habitat.

The extent and distribution of HNV farmland in the EU

Earlier estimates suggested that the total extent of HNV farmland might be as much as 30 per cent of agricultural land at EU-27 level, but the land cover data on which these were based has well recognised limitations. Since 2008 the main focus on identifying HNV farmland at both EU and Member State level has been on land cover (driven by the monitoring requirements for RDPs), although data on farming characteristics and biodiversity have also been used several cases. Within individual Member States there can be several different estimates of the extent of HNV farmland, depending on the data sets and criteria used. This study identifies the best available estimates of HNV farmland extent in each of the EU-28 Member States.

The two main uses for HNV farming data are to target policy instruments, in particular CAP funding; and to monitor changes in HNV farmland in order to assess the impact of policies and to provide evidence for future policy. To a certain extent these uses require different types of data.

There are three ways of looking at HNVF, through land cover, biodiversity and farming characteristics, and understanding all three at farm and parcel scale is important for effective policy intervention. Land cover data such as CORINE are constrained in their ability to distinguish between different types of farmland habitat, and can only indicate likelihood of HNVF land cover, not agricultural activity. Although very few Member States have comprehensive semi-natural habitat information at the scale required, many have partial data that could be completed. Species data is inconsistent, but bird data have been useful in defining HNV farmland supporting populations of important species. In agricultural data sets such as FSS and LUCAS the level of detail on HNV farming characteristics and practices provides only a general indication of possible HNVF, but with relatively small changes this data could be more useful. EU-wide, annually updated IACS/LPIS records offer the best possibility if in future these were enriched by data relevant to HNV farming.

EU legislative protection for HNV farmland

Before considering the effect of CAP funding on HNVF, the study identified what EU legislative protection is provided for HNV farmland, under both environmental and agricultural policies. This legislation is significant both in itself and because it is part of the environmental requirements that underpin CAP land management payments.

Under the Birds and Habitats Directives, Member States are required to take action to conserve threatened habitats and species in Europe, of which 57 types of habitat and 257 species depend on or are associated with farming activities, typically those on HNV farms. Despite this requirement more than more than 75 per cent of these habitats and at least 70 per cent of the species are in unfavourable conservation status.

Within most Natura 2000 areas, legally binding requirements and site management plans have only limited influence on farm management and the consequent effects on biodiversity. Some threatened habitats (and a large proportion of other HNVF land) lie outside Natura 2000 sites, where farmers' obligations to protect habitats and species of European importance are often poorly defined and EU legislation is weakly enforced. Thus, both within and outside Natura 2000 areas, pro-active conservation of these important farmland habitats relies largely on the voluntary action of farmers and the provision of funding and guidance through agri-environment or similar schemes.

CAP area-based farmland payments are conditional upon compliance with defined standards, including those for Good Agricultural and Environmental Condition (GAEC). The way in which Member States defined GAEC standards in 2007-13 has had a mixed impact on HNVF. Some Member States defined standards for minimum stocking densities that have helped to prevent under-utilisation, but many others required only the mechanical clearance of vegetation, thus risking a breakdown of the HNV farming system, deterioration of semi-natural habitats and loss of diversity in mosaic HNVF landscapes. Protection of terraces was potentially beneficial but often too costly for famers. Requirements for removal of 'unwanted' vegetation were helpful where applied sensitively, for example to remove invasive alien species or control excessive scrub invasion, but damaging when they required complete removal of non-herbaceous elements in HNVF habitats.

For 2015-20, the cross-compliance framework has been simplified. The effects on HNV farming will depend firstly on how Member States define standards for landscape features under the new GAEC framework; and secondly on how Member States choose to use the considerable flexibility available in the legislation when they define minimum agricultural activity on land eligible for CAP direct payments. The Commission's reluctance to allow this definition to include requirements for minimum livestock densities is a particular concern.

Influence of CAP payments on HNV farm incomes

The inherently low productivity of HNV farmland and the typically labour-intensive farming practices on which the biodiversity depends put HNV farms at a disadvantage in competitive markets. This means that they are often very dependent on CAP support to maintain farm incomes. Current reporting of CAP direct payments and RDP expenditure at farm level does not distinguish between HNVF and other farmland, which makes it impossible to identify at EU or Member State level what proportion of the total CAP direct payments, agri-environment and LFA compensation payments are going to HNV farms.

The case studies reveal that HNV farm incomes generally are lower than on other farms, and that CAP support is generally much lower than on other farms, particularly in regions where the historic SPS system is applied. In Italy a typical HNV farm manages twice as much land as a non-HNV farm but achieves only a quarter of the value added per hectare. Hill livestock farms in the United Kingdom rely on SPS and LFA payments to offset losses from their low-intensity HNV systems. For the farmers in remote, wet areas of North West Scotland who maintain important HNVF habitats by grazing suckler cows, the total of all their CAP

payments (which are much lower on a per hectare basis than those in more productive regions of the country) is not even sufficient to offset the losses of HNV livestock farming.

Despite the evident significance of CAP support to HNV farm incomes, it is clear from this study that some HNV land of critical importance for biodiversity was partially or completely excluded from CAP support in 2007-13. In some Member States with large areas of land under HNV farming systems a significant proportion of HNV land and farmers do not receive CAP support payments. This includes land with threatened habitats dependent on agricultural management that are the focus of conservation measures under the Habitats Directive and which Member States have a duty to maintain in, or restore to, 'favourable conservation status'.

There are several reasons for these failures to provide CAP support, including HNV farmed land defined as 'non-agricultural' or 'ineligible'; insufficient allocation of SPS rights in relation to the area of land actually used by farmers; the presence of 'too many' trees and rocks in semi-natural pastures; and the small size of some HNV farms and parcels.

The CAP reform legislation offers Member States opportunities to revise their CAP eligibility criteria for semi-natural pastures, trees and landscape features, minimum farm and parcel sizes, and to allocate payment entitlements in a way that gives HNVF land and farmers much better access to CAP income support payments. It is unclear if and how Member States will choose to use these options, which could have consequential impacts on payments to other farmers and the workload of paying agencies. In some Member States there is an unwillingness to include within the new direct payments system land that was not receiving payments under the pre-2014 CAP, even if such land has been in farming use for many years.

Use of RDP and similar payments to support HNV farming

Many Member States have specifically designed and targeted agri-environment schemes for the management HNVF semi-natural habitats, species and native breeds of livestock, but in some cases eligibility criteria and/or funding have limited the capacity of these schemes to reach all the HNV farmland that could benefit. Less focused agri-environment schemes may also benefit HNVF to some extent. In some Member States the coverage of HNV farming by beneficial agri-environment schemes is considerable while in others it is extremely limited, including some with a major HNVF resource, for example Spain. A few Member States make significant use of state aid to fill gaps in coverage of agri-environment payments and for habitat restoration.

The RDP measure that allows Member States to compensate farmers for legally binding restrictions in Natura 2000 area was used in some Member States, but by 2009 only five of those had achieved their planned targets, largely due to delays in setting legally defined requirements. More use could have been made of RDP non-productive investment support for restoration of HNVF habitats and landscape features.

LFA payments account for a significant share of many RDP budgets. These payments can contribute to HNV farm incomes but the levels of support and the coverage of farmers within the LFA varies greatly from one Member State to another. LFA payments are classed as one of environmental land management measures in Pillar 2 and can therefore require specific land management, but as currently implemented these payments rarely require or support HNV farming systems and practices, other than sometimes setting minimum grazing levels.

Few examples were found of other RDP measures used specifically to support HNV farming. It is unclear to what extent measures to support competitiveness of farming are available to and used by HNV farmers, or if there are safeguards to protect HNVF from damaging intensification.

Member States' experience of developing the CMEF HNV farming indicators

As part of the monitoring and evaluation of the 2007-13 RDPs Member States are required to define an HNVF baseline indicator of 'utilised agricultural area of HNV farmland' and to report on RDP expenditure on HNVF land management and changes in HNV farmland. This has proved to be the most problematic CMEF indicator to implement. Defining the baseline HNVF indicator generated a great deal of work across the EU, most of it still incomplete. The HNVF result and impact indicator have not yet been used except in a very few cases.

Insufficient data on HNVF land cover, intensity of management and biodiversity, and a lack of regularly updated datasets required to monitor change have frustrated the attempts of those Member States who sought a comprehensive definition. Others initially defined a limited baseline indicator (area of Natura 2000 farmland in some cases) or focused just on semi-natural habitats or on data useful for targeting agri-environment payments.

Efforts to overcome the problems of finding adequate data sets to meet Commission guidelines on the baseline indicator have led some Member States to devise alternative approaches to monitoring HNVF. These include a new sample survey of HNV farmland in Germany, enhanced IACS/LPIS data in Portugal and Finland, a combined 'basket' of existing regional datasets and sample surveys of HNVF systems in Navarra (Spain) and a GIS-based approach in Estonia combining of fifteen different indicators at a scale of 1 x 1 km.

Estimating EU funding needed for HNV farming - a farm payments approach

The need for more effective CAP support for HNVF is clear, but estimating the scale additional funding needs is problematic, given the scarcity of CAP monitoring data on current expenditure relevant to HNVF at EU-level. Instead, a more focused approach was taken for this study, examining available data on CAP expenditure from three Member States which have large areas of HNVF but very different farming and policy contexts, identifying gaps in current HNVF support and exploring how these might be filled.

In Aragón (Spain) there are between 2 million and 3 million hectares of HNVF land but estimates are problematic because of inconsistent databases and inadequate recording of

farming activity in the case of rough grazing land. LFA payments are too small and thinly spread to support HNVF, and agri-environment schemes do not reach the vast majority of HNVF land (not even the majority of Natura 2000 grasslands and arable land). A five-fold increase in current LFA, agri-environment and Article 68 expenditure would be needed just to extend coverage of these schemes to all Natura 2000 farmland in the region. Alternatively, rebalancing current CAP support from both Pillars to offer a widely available package of HNVF specific support measures could reach more HNVF land with no increase in total CAP expenditure in the region (and reduced need for co-financing). Although there is limited scope for linking decoupled Pillar 1 payments to specific HNVF systems (other than through special measures such as Article 68) raising the level of direct payments for this HNV farmland would provide the income support element needed to accompany Pillar 2 payments targeted more specifically at HNVF land management.

In Scotland around three million hectares of semi-natural pastures are managed by low-intensity HNV livestock farming, but total SPS and LFA payments for this area fall short of offsetting farm business losses by €63 million a year. More damagingly, the current support structure provides a financial incentive for farmers to cut losses by reducing the scale of the most valuable HNVF systems. A more coherent package of CAP payments focused on HNVF land could be more effective for both farmers and biodiversity conservation, with only a modest increase in funding.

In Romania the current picture is more positive. Here HNVF is characterised by a very large number of small farms, and an ambitious agri-environment programme for HNV farming systems reaches more than one million hectares of HNV grassland, making up the largest share of the total CAP support at farm level. Flat rate SAPS and LFA payments create no disparity in CAP income support between HNVF and more intensively farmed land, in contrast to current SPS payments in Scotland and Spain.

Estimating EU funding needed for HNV farming – a habitat management approach

The study used a second approach to estimating funding needs, looking at the scale of the additional funding required at EU-27 level to maintain and restore HNVF semi-natural habitats by 2020, in the face of expected pressures. This was based on the estimated extent of HNVF land, the reported conservation status of HNV farmland habitats and the payment rates for agri-environment and similar measures. The estimates cover HNVF natural and semi-natural grasslands and their associated landscape features, grazed heaths, moorland and tundra, grazed *maquis*, *phrygana* and other Mediterranean scrub (but not the large areas of wooded pastures in the Iberian peninsula, because conservation data were not available).

The additional cost is estimated to be between €130 and €1,100 million per annum to maintain existing HNVF habitats and restore 15 per cent of degraded areas, rising to between €730 million and €3,300 million if 100 per cent of the degraded habitats are restored by 2020. The large range is explained by the lack of precise data on the extent and level of degradation of HNVF habitats. The estimates are based on current unit costs of

habitat restoration but some areas would be much more costly to restore, to meet the 100 per cent target.

Meeting the challenge of supporting HNVF

Active management of HNV farmland is critical to meet biodiversity targets but HNV farming is part of the overall agricultural sector and is widely distributed within rural areas, not just within protected areas. Therefore it is more readily supported through an agricultural incentive model of policy than a protected area/development control approach. This will require considerable adaptation and fine tuning of the current agricultural model, and now is a good time to embark on this given the decline in HNVF management (not just abandonment) and the declared aim of 'greening the CAP'.

The challenge facing Member States in 2014 is how best to use the reformed CAP support in a way that improves the economic viability of HNV farms without compromising their characteristic biodiversity value and locally adapted low-intensity farming systems. The study concludes with specific suggestions on how this could be done at Member State and regional level within the scope of the new CAP legislation.

HNV farmers must have access to CAP support from both Pillars of the CAP, but HNV farms are more sensitive to eligibility rules than other farms precisely because of their inherent character. Ensuring HNVF eligibility, particularly for direct payments, may require changing Member States' eligibility criteria for minimum farm or parcel size; widening their definition of agricultural land to cover traditional wooded pastures, fens, heathland and all other Annex 1 agricultural habitats and common pastures; recording all HNVF land and landscape features in LPIS/IACS (or using sensitively designed pro-rata calculations of eligibility); and allowing all farmland in active use to claim the new Pillar 1 payments, not just the farmland with SPS/SAPS rights under the old system.

Effective packages of CAP support for HNV farming require two components which work effectively when they come together 'at the farm gate'. Firstly, to ensure the survival of those farms still using whole or partial HNV farming systems will require a combination of direct payments linked to a minimum farming activity, environmentally coupled income payments and capacity building support specifically designed to counter the economic pressures to abandon or intensify characteristic low-intensity grazing and cropping or change the use of HNV farmland by afforesting it. Secondly, support will be needed for more widespread habitat and species management to maintain existing HNVF habitat, and habitat restoration work to restore degraded areas, thereby contributing to the EU and CBD target of restoring 15 per cent of degraded ecosystems.

Providing and targeting cost-effective HNVF support under the CAP requires better data on HNVF land and farms. EU agricultural data sets such as FSS, FADN and IACS/LPIS could be extended and improved to identify and record HNVF variables in a way that would make these data sets more useful in targeting, monitoring and evaluating the impact of CAP support for HNVF. At Member State or regional level, existing partial environmental data

systems on land cover, biodiversity, semi-natural habitats and species could be completed, regularly up-dated and linked to improved agricultural data sets.

Conclusions

This study has shown HNV farming is sufficiently important in terms of biodiversity and other societal benefits to be worth quite a lot of trouble to achieve the changes needed. Although some of these may be hard to characterise precisely it is worth further concerted effort now to seize the opportunities offered by the current CAP reform. HNV farming does not stand still, and in common with other farming sectors it must accommodate not just economic pressures but also generational change, new ways and some adaptation. The report suggests a range of practical measures to improve support for HNV farming, some of which could be implemented immediately, others of which are longer term.

There are possible solutions, and a great deal of work in progress, as the case studies have shown. We have to build on the success already achieved in some parts of the EU. Member States must be encouraged to press on with workable approaches for supporting their particular HNV farming systems, with the help and guidance of the Commission. The new CAP widens the opportunities for HNVF support but the key decisions have to be taken quickly within a timescale set by the legislation. The publication of guidelines for Member States on how best to use the new CAP to support HNVF might increase their confidence in making changes and also minimise problems of interpretation of the new legislation.