Institution: Newcastle University

Unit of Assessment: UoA 6: Agriculture, Veterinary and Food Science

Title of case study: Increasing EU Spending on Environmental Management and Rural Development from 2008-2013

1. Summary of the impact (indicative maximum 100 words)

The UK's decision to introduce voluntary modulation led directly from research conducted at Newcastle University between 1993 and 2008 which demonstrated conclusively that broadening the scope of *Common Agricultural Policy* (CAP) subsidies beyond supporting agricultural production through 'modulation' would greatly benefit the environment and rural economies. The success of modulation in the UK then led to compulsory modulation being introduced throughout the *European Union* (EU). Up to 2013 modulation has generated outstanding impacts by providing more than €10 billion of new funding for environmental management and rural development across the EU.

2. Underpinning research (indicative maximum 500 words)

Background

In 1997, the CAP was in need of reform as it faced severe criticism for failing to incorporate social and environmental priorities for rural areas. Some of these reforms would be embodied in the EU's Agenda 2000 objectives which explicitly established economic, social, and environmental goals within a new reformulated set of objectives for the CAP. In particular these reforms introduced a new rural development policy as a second pillar of the CAP, helping to integrate environmental concerns into agricultural policy while at the same time developing the vitality of rural areas. Research from Newcastle University in the late 1990s supported the aims of Agenda 2000.

Research

Staff at Newcastle University, particularly *Professor Philip Lowe* (*Professor of Rural Economy: 1991 to date*), *Dr Neil Ward* (*Research Associate: 1993 – 1995; Lecturer: 1995 – 1999; Senior Lecturer: 1999 – 2001; Professor: 2001; Professor & Director: 2004 – 2008)* and *Dr Katherine Falconer* (*Research Associate and Lecturer: 1997 – 2001*) undertook research projects [**G1**, **G2** and **G3**] that helped in the development of these environmental and social aspects of CAP reform and supported the introduction of modulation (the partial transfer of CAP payments from the support of agriculture to the support of other rural activities) as a means of transferring a proportion of the EU's farming subsidies into funding for the environment and rural development.

The Newcastle researchers argued that a coordinated agricultural support, adjustment and conservation strategy was needed within the CAP, along with an end to competition between these components. They concluded that modulation was one means by which progress could be made without requiring a fundamental break with policy traditions. They concluded that modulation had the ability to correct distortions in agricultural strategy, while stimulating further, faster, and deeper change in current agricultural systems, therefore allowing them to move further towards achieving socially beneficial goals. They further suggested that the approach could be applied in a gradual, evolutionary manner that redirected agricultural policy over the longer term. The findings of this research were disseminated through academic journal articles [**P1** – **P3**] and more directly to stakeholders and policy makers through secondment, workshops, reports and working papers.

This research (i) enabled UK agencies to develop a new model for rural support measures to maximise the environmental benefits of agricultural policy reforms and (ii) identified the best means of promoting ideas to support Agenda 2000 in combining environmental and agricultural objectives and relating these to the implementation of wider rural policy.

3. References to the research (indicative maximum of six references)

[**P1**] Falconer, K. and Ward, N. (2000) Using modulation to green the CAP: The UK case, Land Use Policy , 17 , 269-277

[**P2**] Lowe, P. and Ward, N. (1998a) Regional policy, CAP reform and rural development in Britain: The challenge for New Labour, Regional Studies 32, 469-74.

[**P3**] Ward, N (1999) The 1999 reforms of the Common Agricultural Policy and the environment, Environmental Politics, 8, 168-73.

Grants

[**G1**] The Impact of the Agenda 2000 Proposals on Rural England (May 1998) A Rural Development Commission-funded study of the impact of the Agenda 2000 proposals on rural England, and the implications for reforms to the machinery of rural governance within the UK. (£5,000). Phillip Lowe P.I.

[**G2**] Integrating the Environment into European Rural Policy Reform (Oct 1998 - Jan 1999): A study funded by the Land Use Policy Group of the British countryside agencies (Countryside Commission, English Nature, SNH & CCW, Environment Agency) of the arrangements for environmental protection in the context of the 1999 Common Agricultural Policy reform (£14,000). Phillip Lowe P.I.

[**G3**] Government Objectives for England's Rural Economies (Feb - Aug 1999) Cabinet Office-funded (Performance & Innovation Unit), six-month secondment to serve as the academic specialist on a project for the Prime Minister reviewing government policy for England's rural economies (£20,000). Neil Ward P.I.

4. Details of the impact (indicative maximum 750 words)

Newcastle University research conducted between 1998 and 2000 has underpinned a change in the way that the EU allocates funds for rural development and biodiversity conservation. In the period 2007 to 2013 €20.3 billion (£17.6 billion) have been allocated towards agri-environment measures, including measures which promote biodiversity such as the NATURA 2000 measures, [**E1**]. This represents 48% of global aid spending to biodiversity in the same period [**E1**]. This level of spending on environmental and other measures could not have been possible without the European wide implementation of modulation which from 2008 to 2013 was responsible for approximately €10.45 billion (£8.84 billion) of additional spending on rural development measures [**E2**]. In England modulation helps to fund the Environmental Stewardship scheme, the entry level of which is open to all farmers. Modulation supports additional spending on similar rural development programmes in the rest of the UK and across an additional 14 EU countries. Research carried out on behalf of the EU [**E4**] has recognised that the overall "*impacts of modulation on the environment are positive for all environmental parameters*" and that "*these positive impacts are the result of the availability of additional funds within Pillar 2 and relate to a whole range of measures across all four Axes"*. However, it is acknowledged that the extent of these impacts is "*hard to quantify beyond general terms*" [**E4**].

Route to impact

From 2000, the Rural Development Regulation (Regulation (EC) 1257/1999) gave EU states the option of introducing a process called 'modulation' into how they spent their CAP budgets. Modulation works by reducing the direct payments made to farmers under Pillar 1 of the CAP (used to subsidise agricultural production), with some of the savings being transferred to Pillar 2 of the CAP where it pays for measures to support environmental management and rural development.

The research on the impacts of modulation produced by Newcastle University was promoted through direct interaction with policy makers at a UK cabinet level. Ward was seconded to the *Prime Minister's Performance and Innovation Unit* (PIU) in the Cabinet Office to review rural and agricultural policy and to advise the Prime Minister and other key ministers directly on how the government should pursue CAP reform in the UK. This advocacy convinced the UK Government to take a lead in switching hundreds of millions of pounds from production subsidies to environmental payments. This decision had required a U-turn from the then Agriculture Minister, who in February 1999, prior to Ward's secondment to the PIU, had declared that the UK was 'not minded' to introduce modulation (House of Commons Agriculture Committee 1999, para.114). The influence of Newcastle University research is reflected in the following quotes from the then Minister of Agriculture "*I remain grateful for the research undertaken by Newcastle University's Centre for Rural Economy on the potential impacts on environmental management and rural development of a policy of modulation of CAP payments. Newcastle University were pioneers of this development in the late 1990's. The research that was undertaken by Professor Philip Lowe and Dr Neil Ward helped inform policy within the Ministry of Agriculture and later on within Government more generally*" [**E7**]. The adoption of modulation "*… has led to a significant restructuring of the CAP. As a reform it is far more sustainable than the regime it came to replace. That's quite an achievement but I don't think we would have got there without being able to back our point up with the evidence and arguments provided by Newcastle University's early research.*" [**E7**]

The UK's early and voluntary adoption of modulation, based on the findings of Newcastle University's research, set a new and more radical course for Europe in redirecting the financing of the CAP during subsequent reforms, opening much wider opportunities for the CAP to support environmental and rural development objectives which would lead to substantially increased budgets (releasing additional funds in excess of €10 billion, £8.46 billion) for environmental management and rural development through the period between 2005 and 2013. The broader impacts of the Newcastle University research is illustrated by the following quotes from the then Agriculture Minister and a senior figure in the rural policy community "*The Newcastle University research was invaluable in informal meetings with other Agricultural Ministers in helping convince them that modulation, and indeed the very existence of a second pillar, was a viable way forward for the CAP*." [**E7**]

Newcastle's "…*research played a highly influential role in providing the evidence and rationale for a major shift in the UK Government's position on modulation and subsequently in adoption of mandatory modulation by EU member states during reform of the Common Agricultural Policy. This was helped by the quality of* [Newcastle University's] *connections in the policy community and the effective dissemination and promotion of its research*." [**E8**]

<u>The impact in the period 2008 - 2013</u>

The CAP Reforms of 2003 (the Mid-Term Review) stipulated that direct payments over €5000 (£4229) to farmers in the EU-15 (the fifteen EU members states before the accession of 10 new members in 2004) would be decreased by 3%, 4% and 5% respectively from 2005, 2006, 2007, staying at 5% for the following years. At a 5% rate, modulation across the EU-15 led to an annual transfer of about €1.2 billion (£1.02 billion) (in current prices) [**E2**] from the production subsidies to rural development and environmental schemes. From 2010 modulation rates increased progressively to 7%, 8%, 9% and 10% for 2010, 2011, 2012 and 2013 respectively. This increase led to a net additional transfer from the first pillar to the second of €3.25 billion (£2.75 billion) (2010: €0.48 billion (£0.41 billion); 2011: €0.69 billion (£0.52 billion); 2012: €0.91 billion (£0.77 billion); 2013: €1.2 billion (£1.02 billion) [**E2**].

Specific examples of the benefit of increased spending on the environment include increased bird densities. A winter survey of seed-eating birds in two areas of England by the RSPB during winter 2007–2008 found that wild seed mixture crops supported the highest densities of seed-eating birds

[**E3**]. Similarly Baker et al. (2012) [**E5**] examined how uptake of the English Environmental Stewardship scheme links to changes in national farmland bird populations from 2002–2010, finding evidence for positive effects on biodiversity of nationally implemented agri-environment schemes. A review financed by the Commission of European Communities (Poláková et al., 2011) [**E6**] summarised evidence of the impacts on biodiversity and habitat creation of spending on agri-environment measures under Pillar 2 of CAP up to 2011 and concluded that "the biodiversity status of agricultural habitats subject to agri-environment measures is significantly better than would have been the case if the policy had not been in place" (Executive Summary pp xxi).

5. Sources to corroborate the impact (indicative maximum of 10 references)

[**E1**] European Commission, 'Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the

Committee of the Regions: A Mid-Term Assessment of Implementing the EC Biodiversity (http://ec.europa.eu/environment/nature/biodiversity/comm2006/pdf/bap_2008_en.pdf)

[**E2**] http://ec.europa.eu/agriculture/direct-support/pdf/factsheet-modulation_en.pdf

[**E3**] Agri-environment schemes in England 2009 A review of results and effectiveness. Natural England

[**E4**] LEI and IEEP (2009) 'Study on the economic, social and environmental impact of the modulation provided for in Article 10 of Council Regulation (EC) No 1782/2003'. Report for EC Directorate General for Agriculture and Rural Development.

http://ec.europa.eu/agriculture/analysis/external/modulation/fullreport_en.pdf

[**E5**] Baker, D. J., Freeman, S. N., Grice, P. V. and Siriwardena, G. M. (2012), 'Landscape-scale responses of birds to agri-environment management: a test of the English Environmental Stewardship scheme'. Journal of Applied Ecology, 49, 871-882.

[**E6**] Poláková, J., Tucker, G., Hart, K., Dwyer, J. and Rayment, M. (2011) Addressing biodiversity and habitat preservation through measures applied under the Common Agricultural Policy. Institute for European Environmental Policy, London.

http://ec.europa.eu/agriculture/analysis/external/biodiversity-protection/full_text_en.pdf

[**E7**] Former UK Minister of Agriculture, Fisheries and Food

[**E8**] Former Policy Director of Campaign to Protect Rural England and subsequently Director of Strategy and External Affairs at the National Trust