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European
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Policy

Northern Farming Conference

The new CAP what does it tell us?

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13th November 2013

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The new CAP – from a new process

- New Romanian Commissioner
- First big reform with 27 Member States
- First reform decided through the ordinary legislative process – co-decision between Council & Parliament
- CAP reform and the Multiannual Financial Framework decided together
 - The European Council tried to ‘interfere’ in CAP decisions
 - Much of EP energy went into combatting this
 - Once the budget cut for CAP decided as ‘only’ 11%, the steam went out of greening

Timetable

- Consultation Spring/summer 2010
- Communication October 2010
- Legislative Proposals November 2011
- Final political agreement October 2013
- Delegated acts and implementing regulations Autumn '13
- Transition year 2014
- Full Implementation 2015-2020
- No formal Mid Term Review has been mandated

The main outcomes of the reform.

- **Smaller CAP**
- **Redistribution and targeting** of the funds
 - Between the Member States
 - Between the Pillars
 - Between farmers in each MS
- **Greening** of the CAP
 - Strong rhetoric – especially towards climate & biodiversity
 - Weak action – cross compliance, greening, agri-environment
- **Less common CAP**
- **More social and environmental CAP**

Redistribution and targeting of support

- **Between Member States**
 - The external convergence for Pillar 1
 - More objective distribution + ‘cadeaux’ for Pillar 2
- **Between Pillars**
 - Bigger cut for P2 than P1
 - Flexibility: $\leq 15\%$ between pillars, either way, no co-financing
- **Between farmers**
 - Regionalisation: choice of regions and allocation of funds
 - Capping, digressivity, first 30 ha.
 - Areas of Natural Constraints
 - Young farmers
 - Small farmers – minimum claim size
 - Coupled payments

A less common CAP – does it matter?

- **Common framework** but
 - **Huge flexibility** for Member States implementation, eg
 - regionalisation
 - capping/digressivity
 - active farmer
 - small farmers
 - minimum claims
 - areas of natural constraints
 - greening
 - coupled payments
- implies
- still
large
differences
in €/ha
between
& within
Member
States
- Tension between - **subsidiarity**
 - decide things locally and not in Brussels
 - and - **fair competition**
 - level playing field with same rules for all

The greened CAP failure (?)

- 30% Pillar 1 Greening is a strategic gain – but negligible effects expected on the ground
- How will this be seen in next reform?
 - A failure, waste of money, so cut the budget 30%
 - A first step, now tighten the controls and make it deliver
- The watering down of greening?
 - Reduction in Pillar 2 funds
 - The facility to reverse fund switch (P2 to P1)
 - Slackening of cross compliance, non inclusion of WFD
 - The wide green by definition exemptions
 - The weakened three greening actions, smaller EFA

Member States could make greening work

- The intentions of cross compliance & greening are to help farming be more sustainable by reducing:
 - soil erosion and depletion of SOM
 - diffuse pollution of water with N, P and pesticides: so contribute to Water Framework Directive goals
 - degradation of biodiversity on farms
 - GHG and ammonia emissions
- Are British farmers against these goals?
- Is it unreasonable to attach conditions to taxpayer supports to ensure they are reached?

Was it right to approach greening via Pillar 1?

- Commission tried to devise simple, general measures applicable to all to
 - encourage rotations and discourage monocultures
 - discourage the ploughing of permanent pasture
 - encourage a small space for nature on every farm
- Farmers' organisations resisted, and tried either to have national flexibility or render the measures ineffective.
- They simultaneously resist the idea that Member States could shift resources to Pillar 2 to do the job properly.
- **Conclusion?** Farmers are unready to accept that a significant part of the CAP is to pay them for environmental services. They want agricultural subsidies.

The 'social' CAP

- CAP has definitely moved in this direction
 - Concerns about small farmers, young farmers, new entrants, farming in ANCs.
- But goals are poorly explained and the measures are very crude
- Sectoral policy should deal with the market failures: social and environmental, and market imperfections eg capital markets, risk and u/c, R&D&E
- Role of basic payment (70% of P1) still very unclear.

The special case of the uplands

- Where much farming is
 - economically marginal,
 - highly dependent on the public supports
 - has high potential to supply public environmental goods
- Reform allows more support to be channeled to uplands
 - Definition of the regions
 - Allocation of funds to the regions
 - Using the ANC top-up
 - Using coupled payments
 - Through Pillar 2 agri-environment and LFA/ANC measures
 - Other Pillar 2 measures
- The quid pro quo is that any such support should be accompanied by requirements that the environmental services are delivered.

Where now?

- Delegated acts and implementation regulations
- Transitional arrangements for 2014, including English modulation for 2014.
- Implementation decisions for England: consultation closes 30/11, negotiations with the devolveds on the UK share-out,
- Detailed preparation of the new scheme, and its explanatory paperwork and new software

Concluding remarks

- Was this a reform, an adjustment, a non-reform, or a reversal?
- It definitely will be a more complex way to spend less money
- Don't complain about the complexity. Safe, profitable, sustainable food production is a highly complex matter – especially for the diverse continent of Europe.
- This is the best policy reform our EU political institutions could deliver. Would you prefer:
 - An English agricultural policy overseen by G Osborne, or N Farage?
 - A CAP decided not by DG Agri, COM Agri and Agricultural Ministers, but merged environmental & agricultural institutions?



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IEEP's website on the CAP debate:

<http://www.cap2020.ieep.eu/>

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