



Institute for
European
Environmental
Policy

Shifting the Focus of the CAP to Public Goods and the Contribution of Organic Farming

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What do we want from an agricultural policy?



Environmental Public Goods from Agriculture



- Farmland biodiversity
- Agricultural landscapes
- High quality water, air and soils
- Climate stability – carbon sequestration and greenhouse gas emissions
- Resilience to fire and flooding

Other Public Goods Associated with Agriculture



- Rural vitality
 - Viability of rural populations and communities
- Farm animal welfare
- Food security
 - Retaining the capacity of the land, other resources and skills to produce food into the future.

Scale of the Environmental Challenge



- Pan-EU indicators and state of the environment assessments measure the quality of environmental media and agriculture's impact.
- Widespread evidence of deterioration in environmental state over time, although some improvements in air quality, regional improvements in soil quality and reductions in GHG emissions.
- The scale of this challenge is likely to be exacerbated by climate change.
- The losses to global welfare from the loss of biodiversity from terrestrial ecosystems are estimated to be:
 - Approximately **€50 billion per year** - just under 1% of global GDP

Scale of Public Demand for the Environment



- Widespread concern amongst the EU public for environmental issues. These values are deep-rooted and form a fundamental part of the 'European identity'.
- Evidence base – attitudinal surveys, indirect indicators, studies to capture individual preferences:
 - 64% of sample from across the EU-27 indicate that protecting the environment is very important to them personally (Eurobarometer survey, 2009).
 - Contingent Valuation studies conducted across the EU to assess scale of individual preference for agricultural landscapes and landscape elements, farmland biodiversity, sustainable water use, soil protection etc.
 - Indirect indicators of demand – e.g. nature conservation movement in the UK has 5 million members; 46 million visitors to National Parks, with an annual spend of £2.2 billion (2006).

Agriculture has a central role to play in responding to the environmental challenge



- The degree and range of environmental public goods provided varies according to farming systems and practices, and is influenced by locational factors, farm structures etc.
- The most beneficial farming systems for environmental public goods are:
 - Extensive livestock and mixed systems
 - More traditional permanent crops
 - Organic systems
- Potential for highly productive farming systems to adopt environmentally beneficial production methods / practices driven in part by new technologies.



... which in turn contributes to rural vitality



- Increased opportunities for **tourism** to the local area/region
- Changes in **employment** opportunities both on and off the farm
- Opportunities for **adding value to food/other products**
- The maintenance of traditional agricultural **skills** or the development of new skills
- **Investment** being attracted to the local area, providing increased employment opportunities for local people;
- **Impacts on population levels** in rural areas - slowing down outmigration
- Benefits for **cultural heritage**



Drivers of Undersupply



Changes in agricultural land use and management alter the pattern of public good provision.

For example:

- **Intensification** – driven by market forces and commodity prices, new technologies etc.
- **Larger scale** – larger fields, heavier machinery, concentrated buildings.
- **Land use conversions** (biomass)
- **Marginalisation / Abandonment**
 - Economic viability of extensive systems and those in naturally disadvantaged areas is in decline.
 - Support for these systems will be a critical part of the new policy setting.



Estimated Costs of meeting Environmental Needs associated with Agriculture



- **Biodiversity:** halting the loss and restoring biodiversity
 - Natura 2000 (agricultural land): ~ €2 bn/year
 - High Nature Value farming (outside Natura areas): ~€5-10 bn/year
 - Estimates from Germany and Netherlands indicate payments of €650-700/hectare over ~25% UAA needed to meet BAP targets
- **Soil Functionality:**
 - protect soils from soil erosion: €0.7-14 bn/year
- **Water Quality:**
 - achieving the good status of waters by 2015 (WFD objectives): €30 bn/annum, with €10 bn estimated to be needed from RD
- **Climate Change: ???**



Current CAP



The current CAP has a substantial influence on the delivery of public goods in Europe.

Pillar 1: €282 billion (2007-13) - €40 billion /year

- The direct payment and cross compliance standards – securing a basic level of provision of environmental public goods
- Article 68

Pillar 2: €93 billion (2007-13) - €13 billion/year

- Rural development measures
 - Axis 2 - agri-environment measure is single most important measure for addressing rural environmental priorities (includes organic farming)
 - Axis 1 – capital investments, advice and training
 - Axis 3 – Diversification, cultural heritage, tourism, local services etc

BUT Current policy framework has not achieved improvements on the scale that is required.

Policy Implications



- Supporting farmers in the provision of public goods is a legitimate long-term goal of agricultural/rural policy given the scale of public demand and of the environmental challenge.
- There is a particular need to target support at and to ensure the maintenance of extensive livestock and other High Nature Value farming systems alongside organic producers.
- Also need to find ways to ensure more intensive farms deliver public goods.
- Implications for a future CAP - SPS and rural development policy.
- Supporting the delivery of public goods will lead to significant redistributive effects, creating a new pattern of winners and losers, between Member States and across farming systems.
- Clear message needed about the scale of budgetary resources required to meet these challenges.

Six Challenges for a Future CAP

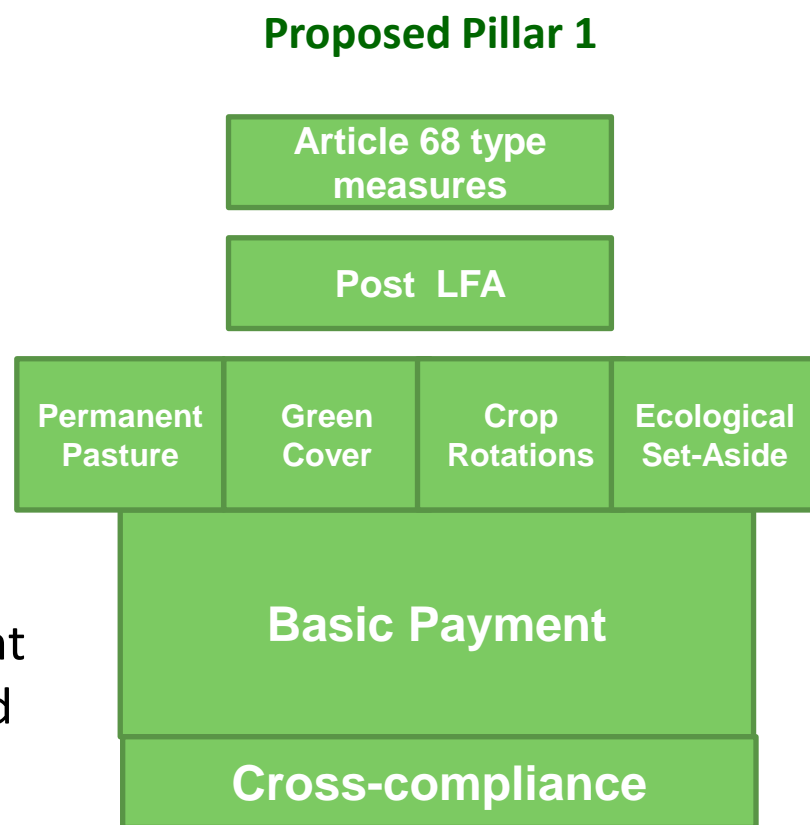


- Consistent policy framework - integration of environmental objectives at heart of future policy.
- Establishing SMART targets.
- Enhancing the effectiveness and efficiency of measures.
- Improving implementation.
- Effective monitoring and evaluation.
- Securing sufficient budgetary resources.

November CAP Communication



- Refers to the delivery of public goods as an important goal of public policy, especially environmental public goods.
- Proposals are somewhat opaque and raise questions, for example:
 - What can be delivered by simple green top up measures in Pillar 1
 - The scale, ambition and deployment of rural development measures and the accompanying issues of targeting, monitoring etc.
 - The budget



Potential Implications of CAP Proposals



- Main focus is on Pillar 1 reform rather than Rural Development measures.
- Agri-environment measures, including support for organic producers would continue but be modified in relation to Pillar 1 direct payments.
- This implies changes to payment levels.
- And also to cross compliance provisions.
- Over time support should shift to public goods providers but this requires a larger redistribution than proposed now by the Commission.
- In this and other senses the current proposals are a half way house.
- There is potential to combine national and EU targets for organic farming with shifts in the architecture and budget of the CAP.

Thank you for your attention

For further information on the future CAP debate visit

www.cap2020.ieep.eu

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