European Organic Farming Policy and CAP Reform

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Outline

- Reasons for organic farming support
- Examples of support
- Balancing policy support and markets
- How the CAP fits
- Reform options
- Priorities for CAP reform from an organic perspective



ORGANIC RESEARCH CENTRE ELM FARM

Reasons for organic farming support

- Public goods
 - Environmental protection (ORC biodiversity review)
 - Resource conservation
 - Greenhouse gas mitigation
 - Animal welfare
 - Social goals (rural development)
- Infant industry
 - Expanding consumer choice
 - Developing markets
- Both reflect market failure issues

The policy challenge

- Need to recognise hierarchy of policy goals:
 - Develop/improve organic farming for its own sake,
 or
 - Encourage organic farming as a means to achieve broader policy goals
- How can policy-makers support:
 - a multi-functional, farming systems approach,
 - which addresses multiple goals,
 - serving a wide range of interest groups with differing priorities?



Possible support options

- Market mechanisms
- Standards and regulations
- Direct payments (supply push)
- Capital investment
- Information (research, training, advice)
- Market development
- Consumer awareness (demand pull)



Examples of support

- Agri-environmental direct payments
 - Wide range of schemes, availability, requirements, and payment rates even within UK
 - Result not a level playing field for market development

ELM FARM

Organic farming scheme payments (€/ha)

		Arable	Grass	Veg	Fruit
England	C	285	285	285	800
	M	73	73	73	73
Wales	C	182	182	182	242
	M	73	44	242	242
Scotland	C M	266 73	128 61	363 73	
N Ireland	C M	260 36	224 36	345 36	
Austria	C	285	110-240	450-600	750
	M	285	110-240	450-600	750
Germany	C	150-252	150-252	300-576	452-1080
	M	116-210	116-210	230-550	420-864
France	C	200	100	350-900	100-900
	M	100-151	80-151	150-600	590-900

Examples of support

- Agri-environmental direct payments
 - Wide range of schemes, availability, requirements, payment rates even within UK
- Information e.g. OCIS
 - Commission's review of Farm Advisory Services says improved advisory support for farmers' converting to organic farming needed
 - England to withdraw OCIS
- Consumer promotion
 - Use of gov't funds to match EU funds elsewhere
 - UK relies solely on industry match-funding
- Market development RDP Axis 1 grants

Interaction with markets

- Organic schemes unique because of market interaction
- Certification systems can help verification but also a transaction cost
- Policies led to strong increase in supply in some countries
 - But direct payments alone may not be sufficient to stimulate growth



Market – policy conflicts

- Financial support can lead to over-supply problems, decreasing organic prices and interregional trade distortions
- Should schemes be restricted to prevent growth in supply ahead of demand?
- Increased supply needed for new entrants and market growth, which expands trade opportunities
- Should potential for environmental benefits from land management be restricted to avoid market distortions?

Looking at it another way

- Environmental and other public benefits come from the production, not marketing, of organic products
- Should minority of consumers pay for benefits accruing to society as a whole?
- Are consumers looking for the same benefits as policy makers?
- Consumer interest not primarily focused on the environmental or other public benefits



Resolving the conflict?

- Historically, organic producers turned to the consumer to help them achieve this
- Market developed as a means to an end
- Should we consider decoupling of direct support, certification and organic markets?
- Historically, Sweden has not linked AE scheme to OF certification
- Or should we be thinking about only relying on markets?



Achieving integration – action plans

- Definition of relevant goals
- Integration of market and public support
- Integration of stakeholders and public institutions in partnership approach
- Integration of policy measures (supply 'push' and demand 'pull')
- Focus on specific, often local, issues that need to be addressed with tailored measures
- Some countries still working with ambitious actions plans – in UK only Scotland leading?



How the CAP fits

- Organic producers should benefit because area payments now decoupled from production,
- Cross-compliance easier to achieve?
- Historical payment basis favours higher intensity producers & more recent converters
- Historically, set-aside also worked against interests of organic producers, until exemption introduced
- Typically organic producers receive less from mainstream (Pillar 1) payments, but more from Pillar 2 (agri-environment/rural development)

CAP Reform Options

- No change
- Continuation of Pillar 1 payments as market insurance scheme with slight adjustments (O1 -NFU)
- Increased emphasis on payment for public goods (greening of Pillar 1) and fairer distribution of resources (O2 - most)
- Increased emphasis environmental support,
 while phasing out direct payments (O3 UK)
- Ending of all subsidy payments (replacement with social security support)

EU Environmental Group Perspectives

















National and EU NGOs and Nature Conservation Agencies argue for:

- Strengthened environmental measures
- Support for High Nature Value and Organic Farming, AND
- Pillar 1 focused on public benefits

Current options do not go far enough

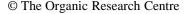
Priorities for CAP reform from an organic perspective

- Not just a quality standard!
 - Only mention in CAP reform proposals published in November in this context
- Agri-environmental support still justified
 - But financial constraints and changing political priorities mean organic less favoured in some countries, including in UK
 - Can be cost-efficient part of mix, in combination with targeted measures



Greening of Pillar 1

- Organic farming can deliver public goods and could become part of Pillar 1
 - ◆ EU-wide regulation defines what it is
 - Consistent payment levels could address some market distortions
 - ◆ 100% EU financing could ensure universal support
- Not a favoured option in Commission
- Current debate focused on compulsory actions:
 - e.g. Environmental set-aside and perm. grassland
 - Green cover and rotations more problematic
- UK disagrees with overall Commission proposals and will not even consider OF option



Next Steps

- Jan 25th: Deadline for consultation responses:
 http://ec.europa.eu/agriculture/cap-post-2013/consultation/index_en.htm
- ORC working with EU research partners on review of organic farming policies in different countries, including England and Wales
- July 2011: Commission to publish legal proposal on CAP post-2013, followed by:
 - ◆ 2011-2012: Negotiations with European Parliament and Council
 - ◆ 2013: Drafting of new CAP strategy & programmes
 - ◆ 2014: Implementation of new CAP to begin