

# 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

# 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

# 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	266	128	363	--
	M	73	61	73	--
N Ireland	C	260	224	345	--
	M	36	36	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 inter-regional 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 25<sup>th</sup>: Deadline for consultation responses: [http://ec.europa.eu/agriculture/cap-post-2013/consultation/index\\_en.htm](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