

CAP Reform and Organic Farming - the legislative proposals

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Direct Payments Scheme

- Basic Payment Scheme (max 70%)
 - ◆ Flat rate, regional basis
 - ◆ 40% transition from historical payments in 1st year
 - ◆ New entitlements from 2014, base year 2011
 - ◆ Capped to max €300,000, with reductions from €150,000, offset by labour payments
- Greening element (30%, not capped)
 - ◆ Maintaining permanent pasture (max. 5% > arable)
 - ◆ Ecological focus areas (7% of land incl. hedges)
 - ◆ Crop diversification (min. 3 crops, main one < 70%)
 - ◆ Organic producers qualify automatically, due to clear ecological benefits
- All subject to cross-compliance

Other possible Direct Payments

- Areas with natural constraints (max 5%)
- Young farmers (max 2%)
- Small farmers (max 10%) - €500-€1000
(one third of claimants, 3% of land area)
- Coupled options (e.g. beef, max 5 %)
- Transfer to Pillar 2 (max 10%)

- If all implemented, Basic Scheme would only be 40% of total Direct Payment, but unlikely

Market management (CMO)

- Safeguard clause and crisis reserve
- Ending of quotas
- Private storage aids extended
- School Fruit & Milk Schemes extended
- Compulsory written contracts for dairy
- Quality marketing standards (PGO, organic)
- Promotion of specific products, incl. organic
- Strengthened bargaining power (producer organisations, some RDP funds). Organic a priority area for fruit & veg. organisations.
- Aids for incorporating milk powder into animal feed and for silkworms will be abolished

Rural development

3 Axes replaced by 6 priorities:

- Fostering knowledge transfer and innovation;
- Enhancing competitiveness;
- Promoting food chain organisation & risk management;
- Restoring, preserving & enhancing ecosystems;
- Promoting resource efficiency & transition to a low carbon economy;
- Promoting social inclusion, poverty reduction and economic development in rural areas.

Key measures

- Innovation, knowledge transfer, advisory services
- Investment grants, farm and business development, young farmers, small farmers
- Land management schemes (agri-environment-climate, organic farming, Natura 2000, Water directive, areas facing natural constraints, forestry and agro-forestry, animal welfare)
- Quality schemes, producer groups, co-operation
- LEADER and rural infrastructure (broadband)
- Organic farming now a separate measure.

Organic farming status enhanced

- Automatically qualifies for Greening
- Priority activity for various Market measures
- Specific Rural Development measure

Why?

- Result of increasing international recognition of environmental, animal welfare and other benefits of organic farming

European Commission argues:

- Clear ecological benefits
- Payments for conversion/maintenance should encourage farmers to answer society's demand for the use of environmentally friendly farm practices and high standards of animal welfare.
- In order to increase biodiversity benefits, collective contracts or collaboration between farmers should be encouraged to cover larger adjacent areas.
- In order to avoid large-scale reversion of farmers to conventional farming, both conversion and maintenance measures should be supported.

European Court of Auditors

- Organic farming is accepted as a more demanding scheme implemented over large geographical area
- For some sub-measures, the Court did find evidence that the prescribed farming practices were effective in achieving environmental benefits - this was “particularly the case for organic farming, for which the effects are well documented”
- “For the next programming period, the Commission should consider whether agri-environment payments should be split into simple, generalised agri-environmental actions with a relatively low rate of aid and more demanding actions attracting a higher rate of aid and targeted to EU-level priorities areas. Support for organic farming would constitute a third measure.”

But not everyone agrees

- EFRA Select Committee currently reviewing Greening proposals – written responses published
- Many are arguing that if organic qualifies then other agri-environment scheme participants and certified farmers (e.g. LEAF) should too
- Some (e.g. Prof. Tim Benton) go to significant lengths to argue the case against organic
- Even RSPB and National Trust are arguing that organic farming standards can't guarantee precisely the impacts of the Greening measures and therefore organic producers shouldn't be exempted

Reasons to be cautious ...

- Benefits less widely recognised in UK, lower political priority than in other countries
- Greening entitlement could lead to reduced emphasis as Rural Development measure
- Separation of organic from agri-environment could also lead to reduced emphasis
- Potential market impacts at EU level of wide variations in payment rates, or no schemes at all
- Need for synergies with other measures to be identified and exploited
- Need for greater consistency in payment rates

Evidence on scheme performance remains a challenge

- Need for verifiability of/guaranteed outputs
- OF is multiple objective, system approach
 - ◆ Not like verifying x metres of hedgerow planted
- Wide range of farm types, intensities and farmer training/experience
- Organic sector needs good evidence, clear arguments and willingness to go further

Possible evidence options

- Monitoring of individual farms too expensive in terms of transaction costs
- Evaluate specific requirements of organic standards, e.g. prohibition on N fertiliser use, which is guaranteed by certification process
- Accept indirect environmental and other benefits cannot be guaranteed/monitored on all individual holdings, but do apply for sector
- Identify sector level benefits by means of research, ideally collated at EU level
- Support research evidence via representative, monitor farms and use of (adapted?) public goods tools.

Next steps

- Agreement between Council of Ministers, European Parliament and Commission needed – could take most of 2012
- Regulations and MS implementation plans in 2013?
- Launch date 1st January 2014??