Institute for European Environmental Policy

The CAP, Sustainable Agriculture and the Policy Outlook

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The Challenge for Agriculture

FOOD

CLIMATE and ENERGY

BIODIVERSITY and NATURAL RESOURCES

Agriculture and the Environment

- The long history of agricultural land management in Europe, agriculture's territorial dominance, and its impact on resource use and the functioning of natural systems, means that the environmental impact of agriculture is large.

- Some of the effects are positive:
  - agricultural landscapes, farmland biodiversity, reduced wildfire risk.

- Some of the effects are negative:
  - pollution of groundwater, erosion of soil, degradation of habitats – although this is common to most productive activities competing for the use of scarce resources.

Approaching the Future

- The environmental agenda is expanding, becoming more global, with climate change and biodiversity as key strands
- The climate and energy debate introduces a new set of objectives into land management in Europe and new range of markets
- Biodiversity in Europe is significantly dependent on semi-natural habitats, appropriate agricultural management and funding
- A future strategy for Europe should embrace a much wider agenda in which both agriculture and environment policy have a role. This is a further shift away from the commodity and social foundations of agricultural policy.
- So new socio-political objectives are needed

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

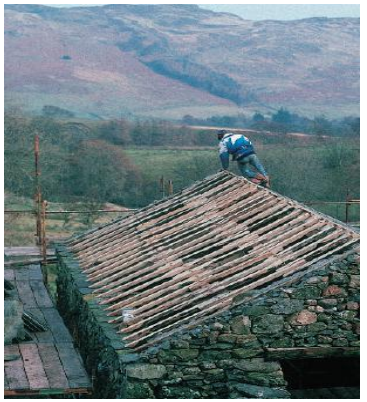
- Pan-EU indicators and state of the environment assessments measure the quality of environmental media and agriculture's impact.
- Widespread evidence of deterioration in environmental state over time, although some improvements in air quality, regional improvements in soil quality and reductions in 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

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.
- **Simplification** – fewer enterprises, crops, simpler rotations

- **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.

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
  - - 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 policy given the scale of public demand and of the environmental challenge.
- Implications for a future SPS and rural development policy.
- There is a particular need to target support at and to ensure the maintenance of extensive livestock and other High Nature Value farming systems.
- 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 to meet this dual challenge.

Six Challenges for a Future CAP

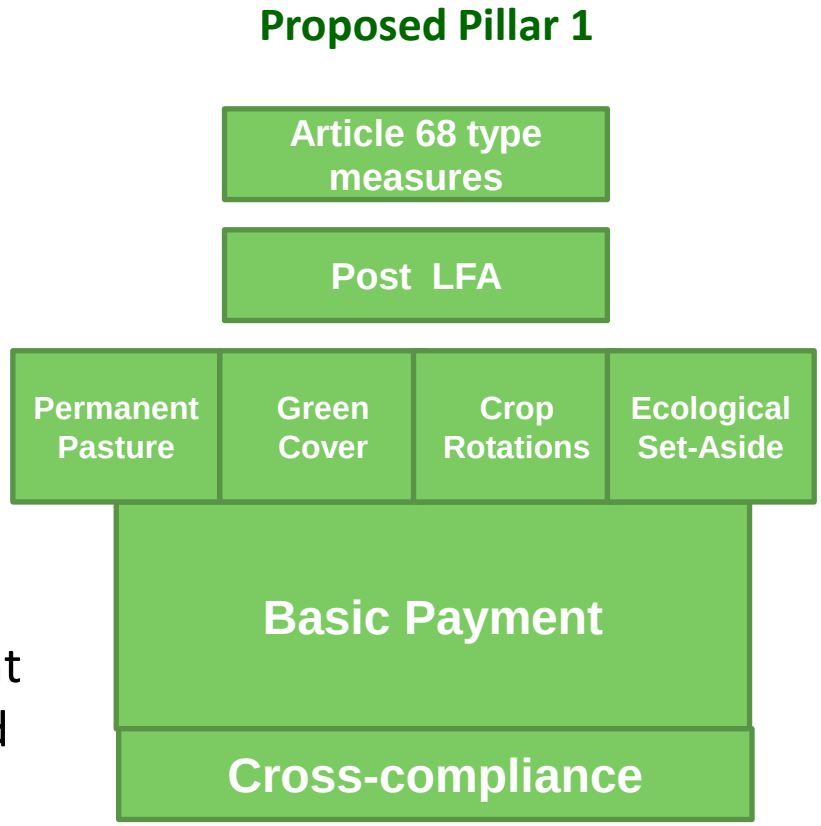
- Consistent policy framework - integration of environmental objectives at heart of future policy.
- Establishing SMART targets.
- Enhancing the effectiveness and efficiency of measures.
- Improving implementation.
- Effective monitoring and evaluation.
- Securing sufficient budgetary resources.

New Objectives for the CAP after 2013

- Viable food production (farm incomes, competitiveness, less favoured areas)
- Sustainable management of natural resources (environmental public goods, innovation, green growth, mitigate climate change)
- Balanced territorial development (maintain social fabric, diversification, structural diversity).

Leaked 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



Thank you for your attention

For further information on the future CAP debate visit
www.cap2020.ieep.eu

OR

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