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Agri-Environmental Policy in the EU: What is the Relevance of Cap Reform

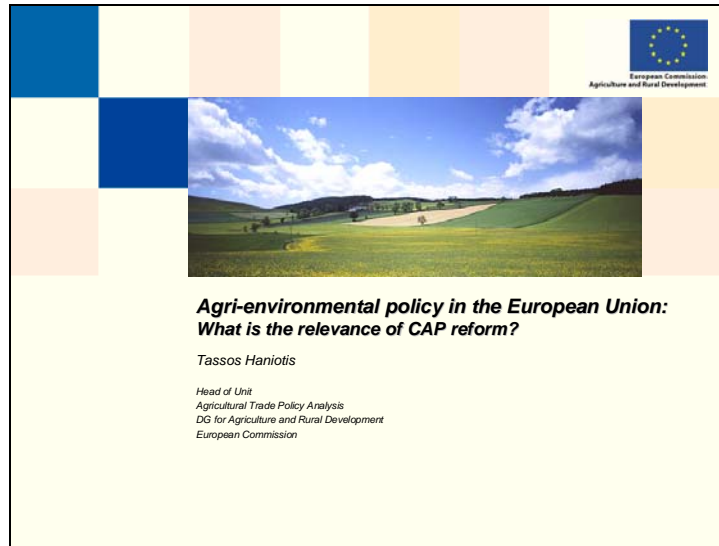
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Slide 1




**Agri-environmental policy in the European Union:
What is the relevance of CAP reform?**

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Slide 2



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Outline

- ***The relevance of the issue***
 - the uneasy relationship of farming and the environment
- ***What is the direction of CAP reform?***
 - principles and instruments of the new CAP
- ***What impact from CAP reform?***
 - on the environment
 - on agri-environmental measures
- ***What lies ahead?***
 - future challenges and risks

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Slide 3




The slide header features a landscape photograph of a green field under a blue sky with clouds. To the right of the photo is the European Commission logo, which includes the text "European Commission" and "Agriculture and Rural Development".

The uneasy link: farming and environment

- ***Positive externalities of agriculture...***
 - ...are more visible on the environmental landscape...
 - ...play a major role in European approach to agriculture...
 - ...strengthen image of farming as something beyond just food production
- ***Negative environmental externalities of agriculture...***
 - ...generate questions about their linkage to agricultural policy...
 - ...often put the whole notion of farm policy into question...
 - ...but also hide a complex causality relationship
- ***Agriculture among first sectors to face policy pressures***
 - ...leading to need for farm policy consistency with environmental goals...
 - ...but also raising questions about the instruments used to achieve them

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What drives the CAP debate?

- ***Most drivers of recent CAP debate non-environmental...***
 - BSE, FMD, (even GMO): mainly around food safety/quality concerns
 - budgetary pressures: always present, although often out of context
 - WTO issues: but CAP reform changed role of EU
 - CAP impact: focus on LDCs, even though EU is increasingly a price-taker
- ***...yet most measures relevant to environment...***
 - in cross-compliance, most measures linked to environmental obligations
 - most direct impact from decoupling expected on agri-environment
 - all farmers affected by agri-environmental standards
 - most RD priorities are agri-environmental
- ***...reflecting deeper linkage of policy to agri-environment***

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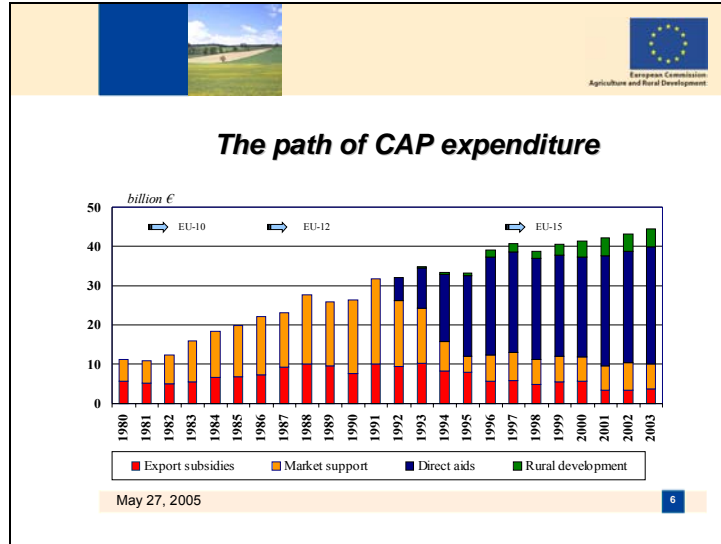
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What drives CAP reform?

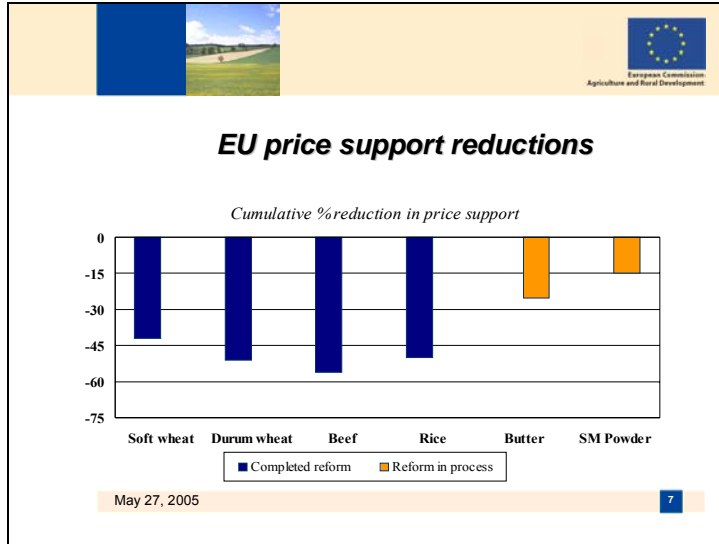
- ***CAP policy dilemma (as defined by CAP objectives)***
 - be competitive in world markets
 - meet the highest environmental/food quality/animal welfare standards
- ***CAP reform orientation aims at meeting both objectives***
 - in a manner that meets citizen, taxpayer and consumer priorities
 - in the less-trade distorting manner
- ***As coverage of CAP reform gradually expands...***
 - arable crops, beef, dairy, olive oil, tobacco, cotton reformed
 - sugar proposal to follow soon
- ***...CAP becomes more demand-driven***
 - its policy instruments move in similar direction


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Slide 6



Slide 7



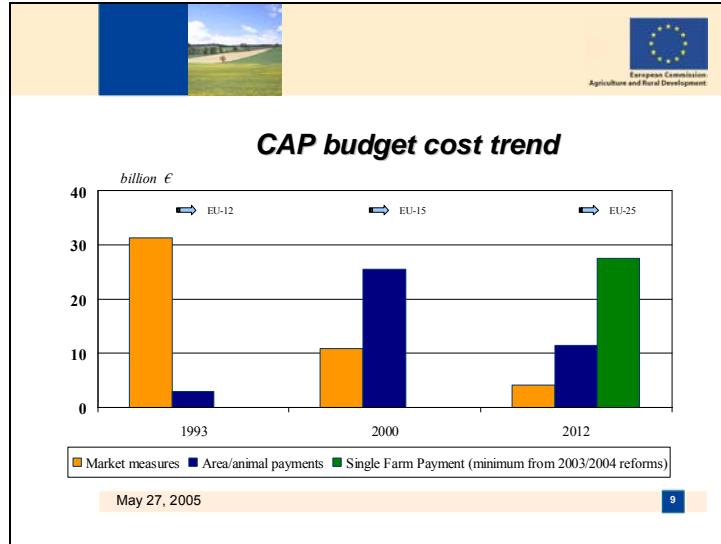



CAP reform path at a glance

- ***From product price to direct producer support...***
 - gradual reduction of support prices into safety-nets
 - partial compensation of product support drop by shift to producer support
- ***...to decoupling of direct aids...***
 - single farm payment based on historical references...
 - ...requiring compliance with set of existing statutory standards
- ***...and to a better balance of support***
 - enhancement of RD policy instruments to meet new standards
 - shift of funds from market support to rural development
 - financing new market reforms with redistribution of direct aids

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Opportunities from CAP reform

- **From market reform...**
 - supply (price) incentive for overproduction and intensity largely gone
 - expectation for more demand-driven pressures leads to market response
- **...to producer direct support...**
 - allows farmers to respond better to markets-driven signals
 - ...thanks to the presence of a rather stable income component
- **...to rural development measures...**
 - it is not so much the additional funds (always constrained) that matter
 - ...but also the additional policy instruments that become available
- **...the potential for a consistent approach exists!**

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Market reform: impact on environment

- **Arable crops reforms**
 - price support reductions diminish or remove incentive to overproduce...
 - ...lead to visible results on input use already from the 1992 reform...
 - ...and a similar impact is expected in newly reformed sectors
- **Beef sector reforms**
 - mixed results of 1992 reform...
 - ...but post-BSE adjustments have helped...
 - ... so has the abolition of intervention
- **Dairy sector**
 - expected acceleration of restructuring will increase efficiency...
 - ...but quota system does not allow full benefits to materialise...
 - ...while impact of dairy herd on beef production remains significant

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Decoupling: impact on environment

- ***Single Farm Payment (decoupled support)***
 - facilitates restructuring with lower income pressure
 - is mainly neutral on land values, thus allowing land use adjustments
- ***Coupled support***
 - level much lower than in recent past (11%-14%)
 - generally limited to sectors or regions that face abandonment risk...
 - often coupled with quality incentives
- ***Cross-compliance***
 - respecting good farming practice is a requirement for support
 - non-respect now “bites” the individual farmer
 - implicitly creates new incentives for improvement in farming

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Rural development: impact on environment

- **More funds from markets to RD**
 - clearly below initial objective
 - still set precedent for future direction
- **New instruments for RD**
 - complement direction of other pillars of CAP reform
 - expand environmental provisions (Natura 2000, increase co-financing)
 - proposals under discussion impose minimum 25 % for agri-environment
- **Member-state role essential**
 - agri-environmental challenges are more localised than other standards
 - capacity building essential
 - how (and how soon) will the advisory systems be implemented?

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Conclusions and challenges

- ***CAP reform provides opportunities for agri-environment***
 - direction of reform in three pillars moving in same direction
 - multiplier effect possible if implementation focuses on coherence
 - continuing demand-driven pressures enhance this direction
- ***Impact depends on several factors***
 - budgetary pressures create again risks (especially for RD)
 - significant burden of implementation by member-states
- ***Is there an alternative?***
 - is there a policy dilemma between competitiveness and standards?
 - is the overall policy direction meeting agri-environmental concerns?
 - is the mix of policy instruments appropriate?

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