

The Reform of the Common Agricultural Policy

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Prof. Dr. Harald Grethe, International Agricultural Trade and Development Group, Humboldt-Universität zu Berlin

Remark in advance....

- A lot of inspiration and content is originating from my work in the Scientific Advisory Board for Agricultural Policy, Food and Consumer Health Protection:
 - „For an EU Common Agricultural Policy serving the public good after 2020: Fundamental questions and recommendations”
(https://www.bmel.de/SharedDocs/Downloads/EN/Ministry/AgriculturalPolicyafter2020-report.pdf?__blob=publicationFile).
 - “On the effective Design of Agri-Environmental and Climate Policy as Part of the CAP of the EU after 2020”
(<https://www.bmel.de/SharedDocs/Downloads/Ministerium/Beiraete/Agrarpolitik/Stellungnahme-GAP-Effektivierung-AUK.html>)
(English and French translation available in December 2019)
 - “Options and Limits for Administrative Simplification of the Common Agricultural Policy” (<https://www.bmel.de/SharedDocs/Downloads/Ministerium/Beiraete/Agrarpolitik/GAP-Verwaltungsvereinfachung-GAP.html>)
(English and French translation available in December 2019)

Outline:

1. We are lagging behind

Progress needs to be urgently made in focusing the CAP on environmental-climate-animal welfare objectives.

2. The CAP stagnates

The 2003 reform was the last major reform and ended the post war period paradigm of “money for production”

3. We are still attached to the old justification of the CAP

The wrong narrative behind a „wrong policy“: the “income paradigm”

4. What we need instead: A “performance paradigm”

Public money for public goods.

“Couple” the money to our societal objectives!

5. What does this mean for the CAP reform specifically

1. We are lagging behind

1. Fertilization and water quality

- In many EU regions we do not meet the targets of
 - the Nitrates Directive,
 - the Water Framework Directive,
 - the Marine Framework Strategy Directive.
- But we know, how to achieve them!

2. Biodiversity

- Target Biodiversity Strategy 2010: Stop biodiversity loss until 2020.
- We are far from reaching that target.
- We know what to do:
 - More landscape diversity
 - More crop diversity
 - More landscape elements
 - More extensively or not used pieces of land
 - Less deep fields (not necessarily smaller)
- But all this costs money!

3. Climate change mitigation

- We have ambitious targets.
- About 25% of total GHG emissions come from our food systems.
- Peat land extensification is expensive!

4. Animal welfare

- In many member states, modern husbandry systems are not ethically accepted anymore.
- But we cannot fundamentally move forward in animal welfare, if we do not have a funding strategy!

2. The Cap is stagnating

- Nothing serious after decoupling as the major element of the 2003 reform.
- More than 70% of the CAP budget is still in “quite unconditional DP”!
- Budget: Pillar II budget share in the CAP is declining since 2014 reform:
 - This is moving backward; into the policy of the past!
 - 2013 about 25%.
 - Under the Ciolos “reform” (2014-20) about 24%.
 - Currently envisaged (2021-27) about 21.6%.
- Total budget is vanishing...
 - After every reform, farm lobbyists are satisfied that again “more or less unconditional direct payments” are maintained as the main CAP component.
 - But other policy areas are cutting into the budget of the CAP:
 - In 1993: About 450 € per ha (in 2018 €).
 - In 2027: About 270 € per ha (in 2018 €).
 - Reduction in 34 years: about 40%!

3. A wrong narrative behind a wrong policy: the income paradigm

The Income Paradigm

- Sorry to bore you.....
- But this is still mainstream CAP.... See e.g. the November 2017 communication of the EC *“The Future of Food and Farming”*.
- And this is what is behind the Oettinger budget, which cuts more into the Second Pillar, than into the First!
- So; sorry to bore you, but this is a story told by EU Institutions.

The income paradigm comes in 4 brainwashing claims:

(and I sharpen these claims not because of disrespect for farmers, but in order to make very clear what kind of deal the farming community engaged in – not a favorable deal, I think)

1. Farmers are disadvantaged (weather, price volatility...).
- Other sectors suffer from other aspects of life (and some suffer from weather, too, such as tourism).
2. Therefore, they experience an income gap.
Farmers are too (income-) poor, compared to other sectors!
- This is not generally true. Plus: our statistics are incomplete, non-agricultural income is not considered.
3. It is the task of the CAP to close this gap.
- This does not fit our model of income redistribution in a market economy: We do that with tax and with social cohesion policy, and not at a sectoral level (income policy for taxi drivers? For snack bar owners?), but for the economy as a whole, and at the MS level!
4. And we do that best with flat rate direct payments per ha!
- Even if we would buy the first 3 steps; addressing an income gap with 300 €/ha? With 30.000 € per 100 ha? With 3 Million € per 10.000 ha?

None of these arguments is convincing, but the income paradigm is dominating the CAP!

- Is this a problem? The payment is purely redistributive, as it is decoupled from production....; But:
 - We do not have money to address the real challenges.
 - Therefore, we do not achieve the objectives we have.
 - We „victimize“ farmers (would anybody be happy, positioning like this? I am disadvantaged, therefore poor...).
 - The CAP is losing acceptance and budget every year!

4. What we need instead: A CAP following the „performance paradigm“

- Or call it “public money for public goods”.
- or “money for rewarding provision of the common good”.

Whatever we name it:

- Farmers provide various services & goods, which are, due to their character, only to a limited degree tradable on markets!
 - Societal functions, public goods, the common good.
- In an open economy, we can use markets only to a very limited degree to reward the provision of these goods.
 - We call this market failure (and this is first year’s undergraduate textbook wisdom in economics).
 - Therefore, we need complementary governance mechanisms.
- And this is, to a large extent, why we need agricultural policy!
- And there, income comes in again:
 - We need to enable agriculture to fulfil its societal functions.
 - And receiving an adequate income while fulfilling these functions is a necessary condition.

5. Specifics on the CAP reform

1. Be serious about targeting the CAP at the societal functions of agriculture!

- Avoid cosmetics!
- The “Basic Income Payment for Sustainability” is a monster term for a “land subsidy”!
 - Do not cover the real content with brainwashing, misleading terms! (otherwise: do not complain about a loss of trust in parliamentary democracy; do not take voters for fools).
- Aim at the complete budget for public services/societal functions in the long run: This is the only convincing justification for transfers to farmers!
- Where to do it (first or second pillar) and how exactly to do it (which measures...) are second order questions.
- The top-level question is: Are you ready to say goodbye to flat rate land subsidies, which end up in the pockets of land owners, over a period of say, two financial frameworks?
 - E.g. ceiling for the “Basic Income Payment” at 50% of the DP budget in 2027?

2. Ambitious budget allocation for all member states

- There needs to be a minimum percentage of the overall CAP budget allocated to environmental and climate objectives!
 - It is not the Fund, the money is taken from (1. or 2. pillar) but the objectives & the target orientation, which matter!
 - Eco-schemes and second pillar environmental measures are both fine; let the Member States decide!
 - E.g. starting at 30% and increasing to 50% over the financial period.
 - Phasing in would give a clear signal: We are moving in this direction!
 - Also show this priority by allowing for flexibility between the basic income payment if the uptake of eco schemes is more than expected!
 - Reward the willingness of farmers to deliver instead of protecting the policy of the past.
- Ensure that payments for eco-schemes are “cost related”; potentially with an incentive component, but not just “any top up”.
 - Otherwise: misleading greenwashing of DP.

3. Make redistributive payments and payments to young farmers voluntary for the member states!

- We need an EU-wide discussion on delivery and performance.
- But the debate on farm size is a MS specific issue.

- Large is not necessarily bad and small is not necessarily beautiful; we do not have scientific evidence on this.
- And anyhow: Direct payments are not fair;
 - Neither regarding the needs of farmers,
 - nor regarding their performance.

4. Get rid of coupled direct payments as long as they are not tied to environmental, climate or animal welfare targets

- They reduce acceptance of the CAP among farmers, as coupled payments with the objective of increasing production are unfair in a common market.

5. Have a “European component”

- Establish a budget line at EU level for peat land protection and Natura 2000 funding.
 - Get these policies partially out of competition of potential other uses in the MS.
 - Distribute funds across Member States according to efficiency criteria and not according to negotiated shares.

6. Finally: on the new delivery model

- Basic approach is good: We need Member State specific targets and measures: The EU is too diverse for uniform agri-environmental-climate-animal welfare policies.
- What is the reference? The money is already today being paid for non-sense...
 - Flat rate land subsidies accruing mainly to land owners.

- Between 100 € and 500 € per ha, depending on the member state.
 - What is “common” about this?
- And remember “the Greening experience” if you consider common measures!
- The limit to a more sustainable agricultural policy very often is not the EU framework for the CAP, but the implementation in the Member States!
- Develop a credible concept of how the EC can ensure sufficient ambition in national strategic plans.
 - The legislative proposals are blank/vague on this!
 - E.g.
 - Make requirements for approval transparent.
 - Ensure sufficient time between decision on new legislation and the delivery of the strategic plans.
 - Ensure transparency of strategic plan development in order to allow involvement of civil society.
 - ...
- Develop and communicate enforcement mechanisms which apply if countries do not comply with their own targets.
 - The legislative proposals are blank/vague on this!
- The process of designing, approving, implementing, monitoring and enforcing the strategic plans will be the most important part of the reform!