

**Working Paper**

**CAP: What societal promise for the European Union?**

**Can we move from a prescriptive to a results-based policy?**

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EU food systems represent not only a cornerstone, but also unique lever, to the issues to be tackled within the European Union, in order to meet the triple challenge of:

- **healthy and quality diets, and reliable food security**, for EU citizens and at global level. A crucial issue for well-being, peace and social equilibrium throughout the world. This implies a new vision for a renewed competitiveness of EU agriculture for each market segment: basic products with a combination of quality and price constraints; more sophisticated products; as well as niche or premium products.

- **an economic growth all across Europe's rural areas, with a clear commitment to a balanced economic development even in less competitive areas taking into account the negative impact of land abandonment in terms of both** social and environmental dimension; agriculture is at the foundation of rural economic fabric, first fundamental layer of any possible economic development.

- **a sustainable management of more than 70% of the European territory**, which represents rural areas, whose only effective managers are proving to be the farmers and the foresters. Soil, water and air are common goods for all citizens. Farmers are the managers of agricultural land on a daily basis. They are responsible for its transmission to future generations. Therefore, without exonerate other citizens from their environmental responsibility (household waste, garden maintenance ...), an optimal environmental management of agricultural productions, together with an effective action in the fight against climate change, are two imperatives to be combined with those of competitive agriculture and a viable economic network of European territories.

These three components - to increase European agricultural production in terms of both quantity and competitiveness, ensuring the presence of a resilient agricultural production on all the European Union territories, to cope with climate change and to ensure an optimal management of the environment on each farm – goes hand in hand with a clear, balanced strategy taking all these components into account, leaving aside any populist pathway, which would give preference on one of its components to the detriment of another.

The move back to ideas focusing only on productivity, or the proposals put forward by some, whose only aim is to ultimately make the European Union a broad *“reserve of conservation”*, of economic decline and unregulated imports, without any care towards environmental and social conditions related to these imports, are truly a lack of responsibilities. **It is up to Europeans to build a right combination of growth, quality of life and good environmental management for each one of us.**

Is this imperative to combine at the same time the three components - Competitiveness/Territorial dynamics/Environmental management – a “squaring of the circle” or simply a political and professional will to anchor this sector and the related policies of our times?

**Reform path of the CAP: what lessons can be learned and which conclusions can be drawn from it?**

For the last 25 years, since the 1992 reform, namely the core of all the reforms, which were adopted since then - including the one of 2013 - the European Union has adapted the CAP to address, first of all, short term problems present at that time, maybe not enough to put forward a renewed vision and defining a project for the European Union for the next 20 years.

1) To cope with a huge diversity of the different European regions and a risk of economic collapse of some of them**, a rural development** policy component was considered as the right response, by providing flexibility to tackle local challenges.

2) Challenged by the expectations of European consumers on the issues of animal welfare, protection and preservation of high value ecosystems:

- a **conditionality** of CAP subsidies was established. This conditionality has been created to give a coercive (financial) tool, via the CAP, for both the implementation of Community directives and regulations outside the CAP.

- A component of **agro-environmental measures** emerged within the Rural development policy of the CAP, to compensate for costs supported by farmers, when implementing targeted responses to specific environmental problems encountered locally or by each sector.

3) Confronted with a growing awareness during the last decade on:

- environmental issues, the need for a clear commitment of all actors to fight against climate change,

- the importance of renewing the links between these societal concerns and the responses provided by European farmers,

The 2013 CAP reform made the choice of a new environmental approach of the CAP, notably through the **greening**. This change was introduced to recognize, overall, that these challenges require a commitment of all European farmers and not just a small local fraction, voluntarily opting for agro-environmental measures of the II Pillar of the CAP. By linking 30% of direct aids (around € 12 billion per year) of the CAP to basic agronomic practices, the principle underneath was that an effort, both modest or more important, (depending on “the starting point”) carried out by all farmers, led to substantial environmental benefits generated by farmers throughout the European Union. This action was conceived to be supplemented, if necessary, by voluntary measures, more ambitious locally.

4) Taking into account the challenge of competitiveness and the increasing volatility of agricultural markets (due to stronger, recurring economic, climatic or health hazards), few “windows” were simply opened by the 2013 CAP reform for a better organization of the supply chain or to test economic tools to mitigate the effects of climatic or health hazards, and the ability to resist collectively to extreme downturns in market prices.

**After two years of implementation of this reform, the European Commission has started to provide some early assessments.**

- From an economic point of view, it is clear that European agriculture has not found yet the path to renewed competitiveness. During the last 10 years, productivity growth in agriculture has halved in the EU15, the EU13 farm income catch up effect following the enlargement process is slowing down, while capital productivity has become negative.

The resilience to crises of the EU agricultural sectors has been showing its weaknesses in the last three years and the CAP is clearly lacking of responses.

This has led the European Commission to propose initial adjustments to the issue via the proposed financial Omnibus Regulation and the European Parliament has gone further, in order to provide farmers with pragmatic and efficient answers from 2018 onwards.

- On the environmental aspect, the latest overviews shown diverging interpretations, as well as the first impact assessment on the implementation of the 2013 Reform and particularly the "greening" measures of Pillar 1 of the CAP.

Concerning the issue of climate change, agriculture has the dual position: on one side it brings solution by carbon sequestration and, on the other side, it produces GHG emission at the same time.

In 2014, agriculture accounted for 10.2% of CO2 emissions within the European Union. However, it is also an economic sector which has definitely contributed to emissions reductions over the past 15 years, with a decrease of 9.3%.

In terms of soil quality, 13% of arable land is estimated to have being affected by modest to strong erosion. The rate of organic carbon content tends to improve with current agricultural practices, while 45% of soils still have rates of between 0 and 2%.

With regard to water, the use of irrigation is an important topic of debate, particularly in the southern part of the European Union. In total, agriculture uses around 24% of the waters in the European Union (mainly irrigation), being clearly behind the energy sector (44%). Significant progress in the management of water use have been recorded over the past 15 years, with a saving of 20% of agricultural water usage.

Water quality in the European Union is estimated to be affected by the presence of fertilizers in 22% of rivers and 37% of lakes. Whereas, the presence of pesticides is still a problem in 16 Member States, affecting 20% of groundwater and 16% of rivers. In this area, as well as in the field of air quality, changes in agricultural practices have led to reduction of inputs used per hectare and to the further improvement of effluent management in livestock farms, especially with the increase in the storage capacity on farm.

In order to encourage pragmatic changes in agricultural practices throughout the European Union, and thus providing a comprehensive basic response to the environmental challenges mentioned previously, the co-legislators adopted the “greening” measures within the first pillar of the CAP.

These greening measures were aimed at the adoption in all the Member States as “generalized”, non-contractual and annual measures, and with simple objectives (before the use of subsidiarity principle widely adopted by some Member States).

The requirements linked to these measures go beyond the rules of conditionality, however they do not seek to address specific local or regional issues, where the related intervention is the responsibility of (voluntary) approaches within the framework of CAP II Pillar.

**What initial lesson can be drawn from the first two years of “greening” measures?**

- In 2016, 72% of the EU agricultural area was covered by at least one of the "greening" obligations. More than one-third of farmers are concerned. Important to underline that: the 40% of farmers exempted from the application of the "greening" measures, is not more than 5% of the EU agricultural area.

O These simple facts confirm that the objective of broad coverage through measures related to the environment under CAP 1st Pillar is achieved, while the agro-environmental measures of the 2nd Pillar of the CAP cover only slightly more than 20% of the agricultural areas of the EU.

* Conservation measures of maintaining permanent pasture and those of crops diversification (alternative option selected for the rotation requirement in line with an annual management of the measures and a limitation on related administrative costs) have allowed to guarantee the quality level of carbon sequestration by grasslands[[1]](#footnote-1) and a diversity of crops in coherence with the principles of good agronomic practices, which were deemed to encourage more than 10% of European agricultural producers to change their practices accordingly.
* Concerning the 5% requirement of Ecological Focus Areas (EFAs), it should be noted that it was largely accomplished by farmers with EFAs counting for 15% of arable land in 2016, 8 Million hectares (10% by applying the weighting factors of different EFAs on biodiversity).



Three big categories of EFAs can be identified: landscape features (trees, terraces, buffer strips, etc.), land lying fallow, nitrogen-fixing crops, and catch crops.

Of 10% of arable area in EFAs (applying weighting factors), 4.6% is made up of landscape features and fallow-land. These two categories almost entirely fulfill the 5% objective of EFAs in the EU. Nitrogen-fixing crops and catch crops account for 5.4% of the arable land, and in a way, a "plus" compared to the outcome to be achieved and defined by legislators.

It should be noted that these crops are an addition, beyond the subject biodiversity, to the interest of:

- soil protection against erosion,

- improvement of soil organic quality,

- protection of water quality (specifically with regard to catch crops)

- as well as an improvement in the protein balance of the European Union,

thus, contributing both to the environmental and economic objectives assigned to the CAP.

Beyond the positions adopted by one or the other, it is in the light of this analysis that the contribution of the greening measures are to be evaluated for the first two years of the implementation of the 2013 CAP reform.

Such a review also needs to shed lights on the principle of complementarity and not of overlapping, as proposed by the co-legislators and the Commission in terms of environmental responses brought by the CAP:

- a broad action of incentives (and not compensation), via the “greening” measures within the 1st pillar of the CAP, confirming a sustainable agronomic approach - throughout the European Union – that encourages those who implemented them to maintain them and those who were still uncertain to adopt these measures.

- more ambitious and specific actions through agro-environmental measures (of compensation) of the 2nd pillar of the CAP that offer the possibility for farmers to cope with specific problems, in a better, more targeted and/or “local” way with regard to environmental issues, by compensating for the additional resulting costs.

In the debates that are taking place both on the evaluation of 'Greening' and the future development needed for the CAP, a particular attention should be given, not to generate any confusion, between measures and objectives and, for example, to keep a clear distinction between "Greening" measures within the 1st pillar and the 2nd pillar of the CAP. However, this “temptation” seems great for some pursuing tactical goals, sometimes more political than technical.

**However, should we conclude that the deepening of the environmental response of the CAP is a non-subject or a resolved subject with the current answers at our disposal?**

European agriculture represents an integral part of international commitments on the new measures taken in the fight against climate change (COP21) and towards the achievement of Sustainable Development Goals (UN). In the current context, necessary and renewed efforts are needed to tackle climate change. Economic sectors are encouraged to continue to move forward, across the Union European as a whole, and not only in specific areas.

In this context, the principle of greening measures addressed to all farmers, within the 1st Pillar of the current CAP, keeps its relevance.

However, the current measures suffer from several weaknesses:

- Prescriptive on agricultural technical practices to be implemented by the farmers, do the greening measures resulting from the 2013 CAP provide a clear picture of the contribution of European agriculture for Environment and Climate change? In other words, counting the hectares of different crops, adding the hectares of landscape features or of land lying fallow or under cultivation, nitrogen-fixing or catch crops can provide a trend of evolution, but does it depict the efforts of farmers within the European Union and can their actions be quantified in the fight against climate change?

- For the farmers themselves, are the provisions of the current CAP -readable, engaging and empowering? It is clear that the Member States, in their implementation of the "Greening" measures, have made extensive use of the possibilities offered by subsidiarity to better link Greening demands to the realities of the field.

As a result:

O an increased degree of complexity in the application of the greening measures while remaining in a prescriptive attitude that does not allow farmers to make an optimal synthesis of the specific features of their operations and the environmental benefits, which they would be able to provide under the "Greening".

O vagueness on the results to be achieved by farmers. Inevitable confusion, given that the results are not defined. Only means to be implemented are specified but without any definition and quantification of why they should be implemented.

- This uncertainty seems both encouraged and born from a coherence, which has never been affirmed nor implemented within the CAP and between the imperative of enhanced sustainability of an agriculture – “armed wing” of the European Union in its fight against Climate change and towards environmental resilience - and the imperative of renewed competitiveness of European agriculture to answer to the expectations of European citizens and world markets coherently and by providing safe, quality and affordable food, and non-food products. Rightly or wrongly, the feeling widely shared in the European Union today is that the "Greening" measures are potentially an obstacle to the competitiveness and, on the other hand, that the search for this necessary renewed competitiveness, could only be made to the detriment of the environmental component of the CAP[[2]](#footnote-2).

Therefore, can we **embark on a change of paradigm and mindsets?** The agricultural community has a role and the responsibility not only to be present in these debates but:

- to **claim and fulfil its mandate and nature of the only effective manager** of European agricultural and forest areas,

- to be one that will **break this populist and comfortable spiral** on the most pressuring environmental framework refraining from defining and to commit itself to the objectives to be attained and the clauses of a contractual relationship.

- to address **the challenge of consolidating the environmental component of the CAP, and in particular the “greening”, through a results-based policy**, clearly identified and valued, leaving the farmer the care and responsibility to choose the means and notably the most efficient means to reach them on his/her farm.

Precision agriculture and the use of digital technology offer a unique path not only to achieve more competitiveness and more environmental safeguard at the same time, but also it provides the capacity to show the results in an objective and quantified way. Therefore, it is the role of the economic actors, supported by political decision-makers, to ensure that a relevant part of European agricultural production is realized in this framework within a period of 5 to 10 years.

To do this, it is necessary to define a CAP with renewed eco-environmental efficiency, able to determine:

- A defined number of clear and realistic commitments that the agricultural sector would take in terms of environmental outcomes to be achieved by the next decade; Quantified, measurable and automatic results, simply by using digital techniques.

- An alternative path based on comparable measures to the current "greening" (thus based on technical instructions to be implemented), for farms either not wishing to pursue this path or not being able to commit themselves to the measures and data collection methods involved in the implementation of Precision or digitized agriculture.

In very concrete terms and by being truly pragmatic, it would be necessary that the abovementioned commitments are summarized in **a limited number of performance parameters and indicators of the environmental impact of agricultural production, and to encourage farmers, starting from 2018 to carry out, over the period 2018-202(2) (from here to the next CAP reform) and on a voluntary basis, the photography of the environmental balance of their operations** on the basis of these parameters and indicators.

To move forward concretely, it is necessary **to propose possible ambitious and realistic commitments (also technically and economically) and the related indicators.**

**\* \* \***

1. Schulze and al (2010) : Evaluation of carbon sequestration by grasslands in the EU-25 of 32 millions tons C/year. [↑](#footnote-ref-1)
2. The ban on the use of pesticides on nitrogen-fixing crops areas, which was declared in respect of Ecological Focus Areas seems an example. Which objective: zero residues, the maintenance of a biodiversity equilibrium or a principle of limiting the productive EFAs notwithstanding the calls to strengthen the protein balance of the EU? [↑](#footnote-ref-2)