



UNIVERSITY OF COPENHAGEN

EU CAP-reform 2014-2020 Greening

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CAP objectives

Main objectives of CAP (Treaty of Rome 1957, article 39):

- to increase agricultural productivity
- to ensure a fair standard of living
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable

The original aims of the CAP was to ensure self-sufficiency of food and support farm income.

This led to the highly successful, in terms of production, coupled support policy primarily through price support.

Eventually, this policy became too successful resulting in surplus production that had to be disposed of one way or another in addition to unsustainable budget pressure.



CAP objectives

Consequently, in 1992, the first in a series of major reforms of the CAP was initiated leading to decoupling of agricultural support (Single Payment Scheme).

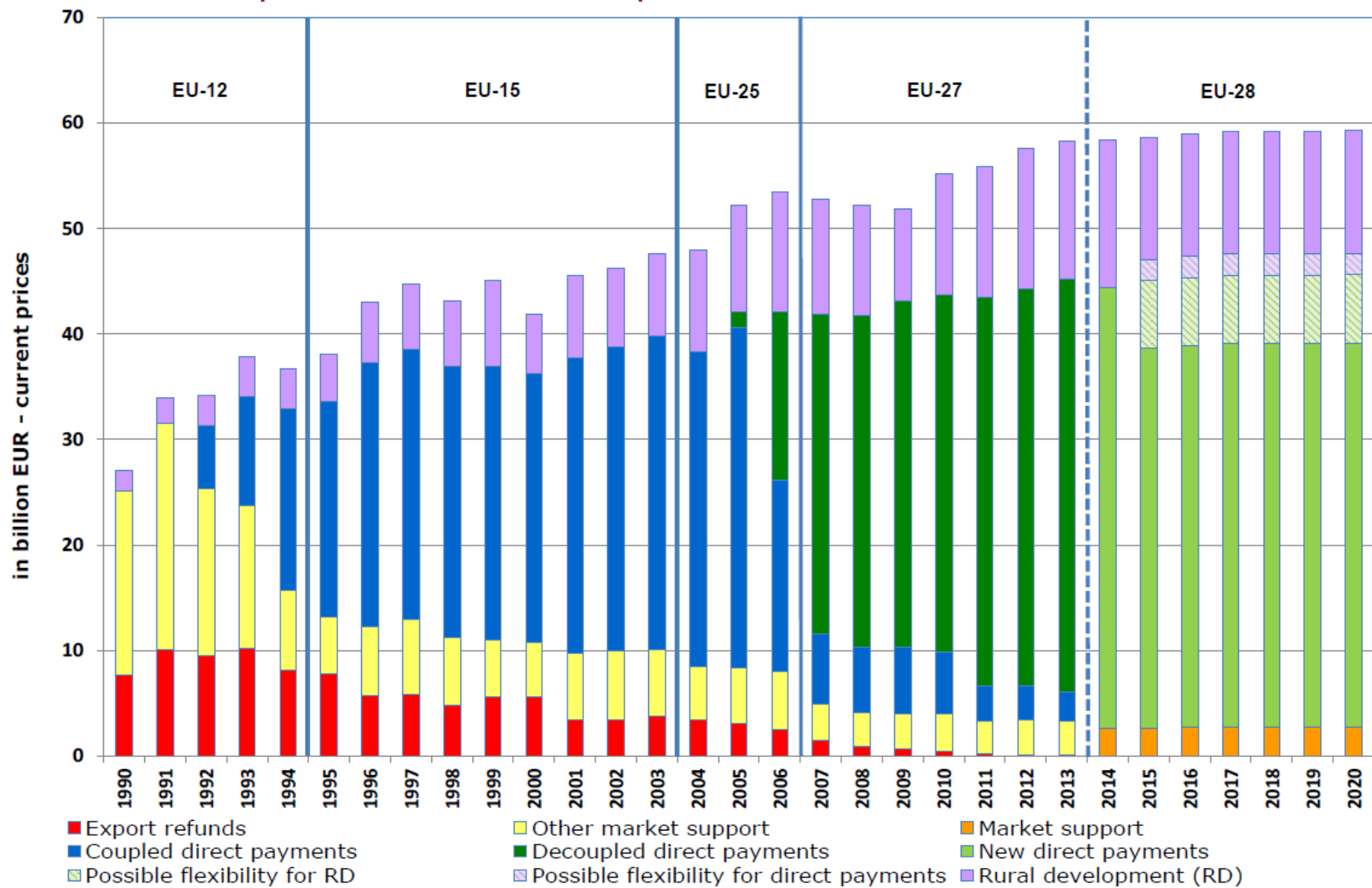
In essence, this led to having a CAP without a direct objective.

However, during the reforms other objectives have been introduced such as rural development, environmental issues, etc., based on the multifunctional aspects of agriculture.

The development of the CAP is illustrated in the following figure showing the composition of CAP support 1990-2020.



CAP expenditure, current prices



CAP challenges

During the preparation period before negotiations, the Commission identified a set of challenges for the agricultural sector:

Economic

- food security
- globalisation
- low rate of productivity growth
- price volatility
- high input costs

Environmental

- resource efficiency
- soil and water quality
- threats to habitats
- biodiversity

Territorial

- declining and aging populations in rural areas
- declining economic activity and social services in rural areas



CAP objectives

The identification of these challenges led to a reorientation of CAP objectives in order for the policy to support farmers in addressing the issues

Policy objectives:

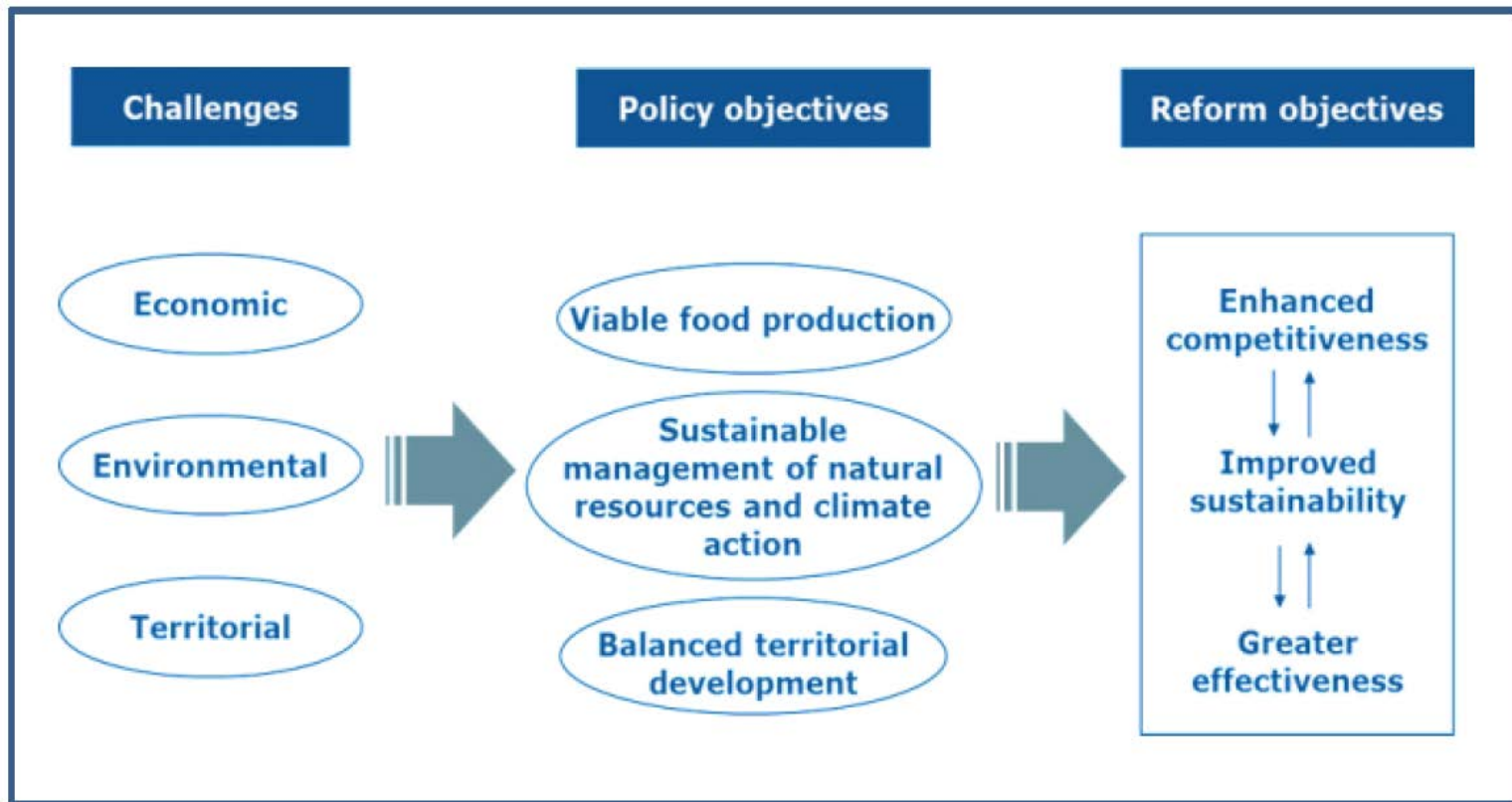
- viable food production
- sustainable management of natural resources and climate action
- balanced territorial development.

The reform therefore focused on the operational objectives of delivering more effective policy instruments, designed to improve the competitiveness of the agricultural sector and its sustainability over the long term.



New CAP objectives

The recent reform of the CAP introduced a new set of overall objectives.



CAP objectives

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Policy objectives:

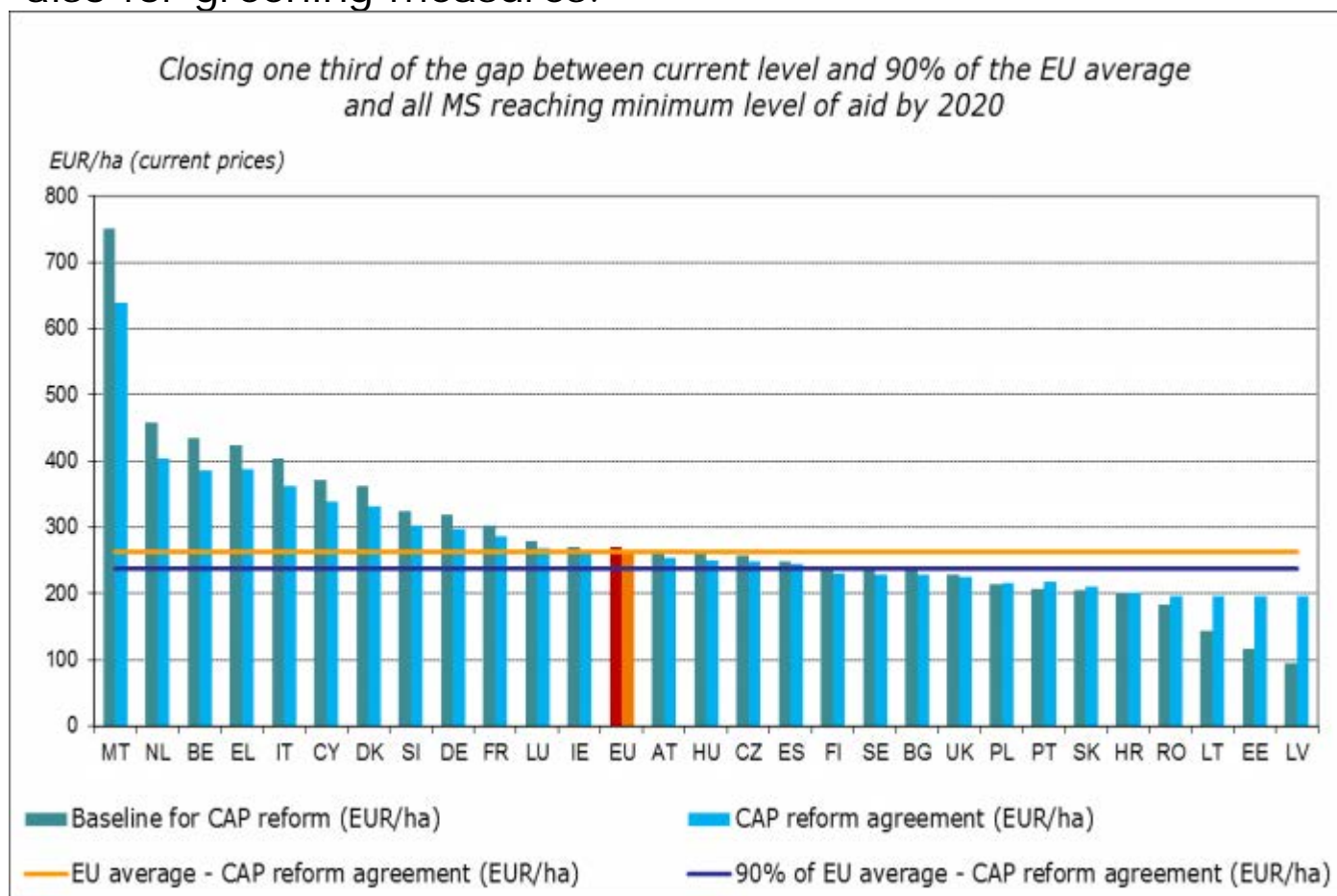
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CAP negotiations

Before any agreement on the CAP could be reached in the Council the issue of the overall budget (MFF) and the degree of convergence for payments between member countries had to be settled. This proved to be difficult and had consequences also for greening measures.



CAP negotiations

Silas Berthou, Henrik Zobbe and I made a study of Member States' positions in the negotiations, which we have done on previously related to enlargements of the EU; Jensen, Lind and Zobbe, *Journal of European Integration*, 31, 2009. We rate countries' positions on issues in the negotiations.

Table 8. Ratings scale of the EU members' positions on the Health Check reform proposal

	Coupled aid/Milk quotas	Redistribution of pillar one direct payments	Overall reform
1	Keep status quo	Keep status quo	Keep status quo
2	Proposed level of coupled aid is too low/Milk Quotas should still be kept (maybe replaced)	Proposed redistribution is too high/quick	Some parts of reform OK, but goes TOO far
3	Neutral	Neutral	Neutral
4	Proposed level of coupled aid is too high/No or higher milk quotas	Redistribution must be higher/quicker	Some parts of reform OK, but DOESN'T go far enough
5	Reform does not go far enough	Reform does not go far enough	Reform does not go far enough



CAP negotiations

As can be seen, the old member countries are fairly content with the distribution of aid across Member States, whereas the new want more convergence among countries. The positions towards reforming the CAP overall are fairly neutral for all countries, whereas coupled aid and quotas show much more variation.

	BE	DK	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE
Coupled Aid and Milk Quotas	3	5	5	1	1	2	2	3	2	4	2	1	2	5
Redistribution	2	1	2	2	2	1	2	2	3	2	2	1	3	2
Overall Reform	2	3	3	2	2	2	2	2	2	3	2	1	2	4
	UK	EST	CY	LV	LT	H	M	PL	SLO	SK	BG	RO	Avg. Rating	
Coupled Aid and Milk Quotas	5	4	3	4	2	2	3	1	1	1	2	2	2,6	
Redistribution	2	5	3	5	5	4	4	4	2	4	5	5	2,9	
Overall Reform	3	4	3	4	4	3	3	2	2	2	3	3	2,6	



CAP negotiations

We have identified three groups of countries with similar positions in CAP negotiations since the MacSharry reform. The clusters are quite stable over time although new countries are included following enlargements.

Table 11. The political clusters since the 1992 MacSharry Reform

Cluster	1992 MacSharry Reform*	2003 Midterm Review*	2008 Health Check	2013 Current Reform
A	NL, UK, DK	NL, UK, DK, DE, FI, SE	DK, SE, UK, EST, LV, LT, M	DK, DE, NL, SE, UK
B	FR, IE, BE, DE, LU	FR, IE, AT, PT	BE, ES, IE, IT, NL, CY, H, PL,	EST, CY, LV, LT, H, M, PL, SK, BG, RO
C	IT, GR, ES, PT	IT, GR, ES, BE, LU	DE, GR, FR, LU, AT, PT, FI, SLO, SK, BG, RO	BE, GR, ES, FR, IE, IT, LU, AT, PT, FI, SLO



CAP negotiations

In the previous CAP, there were two main policy instruments in the current CAP to pursue greening:

- cross compliance standards for direct payments in Pillar 1
- and agri-environmental measures under Pillar 2.

Pillar 2 agri-environment measures (AEM) covered around 24% of the land potentially eligible for payments. However, this proportion differs markedly among Member States as well as within the same Member State. AEM participants come predominantly from already relatively extensively farmed areas, while in intensively farmed regions higher opportunity costs usually prevent large-scale applications.



CAP negotiations

The Commission proposed mandatory green standards across Member States administered within pillar 1 direct payments - greening.

The greening elements were proposed by the Commission to apply to 30 % of direct payments. The mandatory elements consisted of:

- Crop diversification, where the arable land of the farmer covers more than 3 hectares and is not entirely used for grass production (sown or natural), entirely left fallow or entirely cultivated with crops under water for a significant part of the year, cultivation on the arable land shall consist of at least three different crops. None of those three crops shall cover less than 5% of the arable land and the main one shall not exceed 70% of the arable land.



CAP negotiations

- Permanent grassland, farmers shall maintain as permanent grassland the areas of their holdings declared as such. Farmers shall be allowed to convert a maximum of 5% of their reference areas under permanent grassland.
- Ecological Focus Area, farmers shall ensure that at least 7% of their eligible hectares, excluding areas under permanent grassland, is ecological focus area such as land left fallow, terraces, landscape features, buffer strips and afforested areas.



CAP negotiations

The negotiations resulted in the three main elements of the greening proposal being included, however with further flexibility for member states.

For crop diversification: where the arable land of the farmer covers more than 30 hectares and is not entirely cultivated with crops under water for a significant part of the year or for a significant part of the crop cycle, there shall be at least three different crops on that arable land. The main crop shall not cover more than 75 % of that arable land and the two main crops together shall not cover more than 95 % of that arable land.

And then follows a list of exemptions for having to follow this rule.



CAP negotiations

For permanent grassland, as a general rule farmers may not shall not convert or plough permanent grassland. However, in some cases it is allowed, generally requiring other area to be converted to permanent grassland in return.

For ecological focus areas. The requirement of 7 % of the arable land in the Commissions proposal was decreased to 5 % in the agreement. However, it is stipulated in the agreement that it can be increased to 7 % following a legislative act by the Parliament and Council.

The definition of an ecological focus area have been widened considerably as well as the mandatory requirement only applies to holdings with arable land of more than 15 ha (which was 5 ha in the Commissions first proposal.)



CAP negotiations

The impact of greening upon the environment, biodiversity and climate is uncertain. Member states are in the process of implementing the legislation and gathering information. For instance, the amount of new land falling under the heading ecological focus area depends upon how much of existing landscape features such as hedges, buffer strips covered by permanent grassland, strips of eligible hectares along forest edges, etc. can be considered an ecological focus area. And, therefore, how much new land would have to be included in order to reach the 5 % of arable land.



CAP negotiations

The existing cross-compliance measures have not been altered much although some simplification have been made.



CAP negotiations

An overhaul has been given to pillar two measures, the rural development policy. Although, the key characteristics of the architecture of the EU Rural development policy remain basically the same.

Pillar two measures have been used and implemented differently across Member States and it has been unclear how much the policy have benefitted the various objectives under this scheme. In order to improve the policy the new CAP has introduced six common priorities that a pillar two measures is required to fulfill at least four of:



CAP negotiations

Priorities for the Rural Development Policy:

1. *Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas*

2. *Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forests*

3. *Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture*

4. *Restoring, preserving and enhancing ecosystems related to agriculture and forestry*

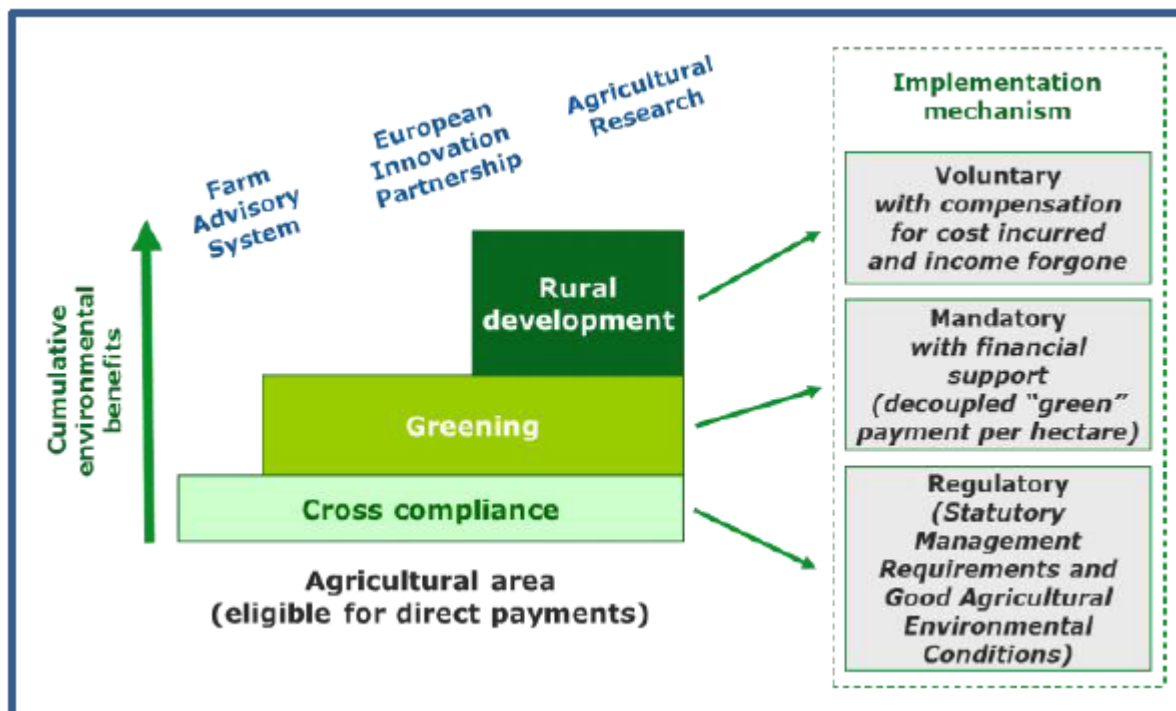
5. *Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors*

6. *Promoting social inclusion, poverty reduction and economic development in rural areas*



CAP negotiations

The new CAP has been reoriented with a more targeted focus on environment, biodiversity and climate.



CAP, concluding remarks

The CAP-reform has introduced a level of greening measures in addition to cross-compliance measures.

Furthermore, the Rural Development Policy attempts to be more focused including on environmental, biodiversity and climate considerations.

However, the negotiations among Member States necessitated a number of exemptions and measures for interpretation in Member States. The term flexibility has been applied to CAP-reform components.

Implementation of the new CAP awaits Member States deciding on which policies and measures to use as well as assessing the amount of area eligible for the various options.

The effect of the CAP-reform can be a divergence of agricultural policies in Member States, whereas the effect on environment, biodiversity and climate is uncertain at this point.





More information on
<http://www.ifro.ku.dk/English>