



The Common Agriculture Policy Post-2013

Summary of the Response to Commissioner Ciolos Consultation

The ELO represents the interests of private rural landowners and land-based rural businesses in all Member States. We suggest that the CAP, and the EU budget heading which funds it¹, have a critically important role to help the EU achieve and maintain **Food and Environmental Security**. Agriculture and forest land management, their related upstream and downstream activities plus rural tourism and recreation are increasingly dynamic, knowledge-intensive, precision activities. They will make a critically important contribution to the vision of smart, sustainable and inclusive, and indeed Green, growth which is at the core of the Commission's vision for Europe 2020. DG Agriculture must redouble its efforts to sell these messages to the European public as the EU budget and CAP debates unfold.

What do citizens expect from EU agriculture?

European citizens expect two sets of outputs from agriculture². First, they want a secure supply of affordable, high quality, nutritious food and other agricultural outputs which are used to produce a wide range of non-edible products including renewable energy, ornamentals, biodegradable plastics and pharmaceutical products. Second, Europe's farmers and other land managers also provide a wide range of other non-marketed, and generally non-traded, services which citizens desire, namely: resource protection of water, soil and air, biodiversity, and cultural landscape and heritage. In short, this requires sustainable food, agriculture, rural environment and communities.

Why do we need a Common agricultural policy?

Agriculture is different: it produces necessities for life, food and environmental services. It is highly fragmented and spatially diffuse, and faces biological, climatic and economic volatility. It stewards the majority of the EU territory which is characterised by pervasive, environmental, market failures. This unique combination of features explains why it is not sufficient for government to let markets alone determine the quantities and prices of the complex mix of marketed and non-marketed services the land management sector provides.

A common EU approach is justified because food, agriculture, environment and trade are **EU competences**. **Competitiveness** problems will arise if we repatriate the policy to the Member States because of the closely integrated joint nature of food and environmental services. Also most of the environmental services exhibit important **cross-boundary** effects, they are part of **common** European heritage and the policy can serve cohesion objectives too.

¹ Which is most appropriately called the Preservation and Management of Natural Resources.

² Broad definition of agriculture. The CAP is already involved in a wide range of land management activities including horticulture, woodland and forestry, recreational land management including hunting, and of course environmental, or nature, management. We are using 'agriculture' and 'farmers' to embrace this whole range of land management activity in rural businesses.

Why reform the CAP?

There are five pressures for change: the overall budget cost; the legitimacy of the single payment system; the distribution of supports; continuing low and volatile farming incomes; and the under-provision of public goods. The ELO rejects claims that the CAP is self-evidently receiving too much public support and occupying too large a share of the EU budget (which has been steadily falling for decades). Is the EU really going to argue that it cannot afford to devote 0.4% of its Gross National Income to Preserve and Manage its Natural Resources?

What tools do we need for the CAP of tomorrow?

ELO supports preserving both pillars of the CAP, and urges the Commission to proceed with further evolution, not revolution, in the CAP. We suggest it would be helpful not to be dogmatic about which pillar is good and to be expanded, or less good and to be shrunk. It is suggested that the debate proceeds instead by agreeing the jobs to be done by the CAP, their purpose and the kinds of measures needed to do them in the most cost effective, least bureaucratic, most simple and securely funded, way. This will require a redistribution of CAP's total financial resources between functions and between Member States. Such redistribution must be based on agreement about the goals of the CAP and then an objective, forward-looking allocation of funds.

We believe the reformed CAP will require the following five elements: A. Agricultural Productivity, Competitiveness and Stability; B. A basic Decoupled Payment Scheme; C. Tiered Agri-environment Schemes; D. Measures for Marginal Areas and E. Wider Rural Development measures. What we mean by these is spelled out in a full paper which accompanies this summary, most of existing measures are still needed and can be adapted to deal with climate change and renewable energy challenges. Only the changes in element B the core decoupled payment system are summarised here.

The Single Payment Scheme is the core of the existing CAP (and the pressures for change as its legitimacy is challenged) we are suggesting that it evolves to more overtly engage in the public goods agenda. We insist that the pace of any such change must be carefully moderated and phased-in over a period of years to take account of farmers who have made leases, taken loans and committed themselves to investments on the basis of continued supports.

Payment decoupling was a critical part of the EU's offer in the Doha Round of WTO negotiations. The process of decoupling is not complete, and all Member States should be required to complete it in the post 2013 period. On the issue of historic versus flat rate payments, the ELO is not suggesting that all regions should be required to shift to regional average payments after 2013. ELO also sees no sense in a common EU-wide single flat rate payment, as productivity, wages, costs of living, demand for public goods and value of those goods are all different across the EU.

ELO proposes that consideration be given to adapting the SPS to more purposefully engage in delivery of public goods. To do this we should introduce to the SPS some characteristics of Pillar 2 schemes, so part of the SPS changes in three ways:

- Its **purpose** explicitly changes from the original compensation for previous policy change, to payment for public good delivery.
- The period of the payment changes from annual payment based on an annual application process to a **multi-annual** (say 5 or 7 years) payment, a potential huge simplification for farmers and administrations.
- The character changes from a cross compliance concept to a more conventional compliance based on a **voluntary contract**.

This basic payment, funded as now 100% from the EU budget, could provide base level environmental services over the whole territory and also integrate the current less favoured area scheme but redefined as support for Environmentally Favoured Areas. If these principles were agreed they would indicate that the appropriate criteria for distributing support between Member States would focus on agricultural and environmental areas tempered by purchasing power adjusted income levels. Simplicity would also indicate they are paid per hectare without caps or tapers. Our intention is to bring together strengths of both pillars, the dependability and 100% EU financing of Pillar 1 and the targeted, multi-annual, contractual character of Pillar 2.