



## IEEP Policy Briefing

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Welcome to IEEP's third CAP2020 Policy Briefing. Published each month, it provides authoritative analysis on the latest developments on the road to reform of the EU's Common Agricultural Policy (CAP). In this briefing, we examine the ways in which the CAP reform debate is being shaped by the EU Presidency, government and stakeholders in a range of reports, vision documents and think pieces. There is a broad consensus that the CAP should be reformed, however, there are differences in the arguments being mobilised to underpin the case for further reform. In particular, we examine the value of some of the concepts introduced by these documents - such as 'public goods' - for providing legitimate and operational objectives for a post-2013 CAP.

### **Making Sense of the New Lexicon of CAP Reform: EU Presidency, Government and Stakeholder Inputs to the CAP Reform Debate**

Long before the CAP Health Check commenced in November 2007, the thoughts of both government and stakeholders were already beginning to focus on the very rationale for the CAP, and how it should evolve in response to changing societal demands and market circumstances. With the rather modest set of reforms introduced by the Health Check legislative package now behind us, the ongoing review of the EU budget and the spectre of budgetary cuts (please refer to the [December 2008 IEEP Policy Briefing](#) for a discussion of the implications for the budget review to the CAP) provides pressure for government, stakeholders and the European Commission to justify the central objectives of European agricultural policy and to rethink the best use of limited financial resources in meeting these objectives.

In an attempt to respond to these pressures, and to take a pro-active role in shaping the terms of the debate, government and stakeholders have published a number of vision documents and think pieces over the past three years. The French Presidency, at the helm of the EU in the second half of 2008, also made an attempt to set the tone of debate at the EU level when it issued a discussion paper to the Member States in September 2008. Below, we examine the different ways in which the reform debate is being approached. It is particularly notable that, in seeking to articulate a

defensible foundation for future policy intervention in agriculture, the lexicon of CAP reform has widened to encompass terms such as ‘socially desirable values’ and ‘public goods’. ‘Public goods’, in particular, is a familiar term to those working in the sphere of agricultural policy. However, if it is to provide a robust foundation for defending future expenditure on European agricultural policy, it is increasingly important to define more precisely how it relates to farming and how it can be operationalised in the EU policy context.

## **Determining the Terms of Debate: The Input of the EU Presidency**

One of the roles of the EU Presidency is to guide through particular policy agendas that are considered to be in the interest of all Member States. With the policy proposals arising from the Health Check still to be finalised, the French Presidency recognised the need to initiate a discussion among farm ministers of the direction of the CAP following the Health Check and the amendments that might be necessary for it to fit within the post-2013 EU budgetary framework.

To this end, the French Presidency’s [discussion paper](#), entitled ‘What’s the best way to prepare the CAP of the future?’, and issued to Member States in preparation for the informal meeting of EU farm ministers held in Annecy, France in September 2008, provides one of the key attempts, to date, to establish the broad parameters of debate at the EU level. The paper sets out the future challenges facing agriculture, namely a ‘food challenge’, an ‘environmental challenge’ and those relating to rural areas. According to the authors of the paper, this provides four objectives for the CAP. The first is to assure EU food security and food safety, the second is to contribute to global food balances, the third is to maintain the diversity and viability of rural areas, and the fourth is to improve the environment and contribute to the fight against climate change. This paper also signalled a desire within the French establishment to lead, rather than simply to participate in the debate.

The French Presidency followed up discussions among farm ministers at the informal meeting with a second paper called [‘The Future of the CAP after 2013’](#). It was presented to farm ministers at the 28 November 2008 Agriculture Council, with the aim of reaching consensus (or Council Conclusions) on its contents so that it could provide an official basis for future discussions. This paper sets out the challenges facing the agricultural sector, such as the ‘potential for increasing global demand for food’ and ‘the impact of unavoidable climate change’. Whilst these challenges were relatively uncontested by the Member States, the objectives for a future CAP set out in the draft paper were subject to considerable scrutiny.

In order to help build consensus, a number of amendments were introduced to the original list of objectives. These include a reference to the need to ‘reward public goods delivered by agriculture’, alongside the need to

ensure an adequate food supply and to strengthen the competitiveness of rural areas, in order to build ‘an agricultural sector that reconciles economic performance and competitiveness with ecological soundness’. The paper calls for ‘the European Union to continue to have after 2013 a common and sufficiently ambitious agricultural policy’, a politically charged statement which the UK and Sweden are believed to have taken issue with. Underlining the great difficulty of Member States in reaching agreement on the fundamental objectives that, once agreed to, can establish the tone of further reform, Latvia, together with Sweden and the UK, did not agree to the text. This means that the paper carries no political weight although the objectives presented within it are likely to resurface.

Mirroring the approach adopted by the French Presidency, the Czech Republic, which holds the EU Presidency from 1 January until 30 June 2009, will seek to [re-open discussion](#) among the Member States at the next informal meeting of farm ministers, scheduled to take place in Brno between 31 May and 2 June. It is likely that the Presidency will publish a short discussion paper in advance of the meeting. The intended outcome of these deliberations is to draw Council Conclusions on the ‘Future of the CAP and Rural Development’ at the 22-23 June Agriculture Council. For universal agreement to be reached, the challenges, objectives and policy responses described in this paper must chime with the views of all Member States. This inevitably results in the dilution of the more ambitious reform goals of some Member States in order to reach a compromise agreement. Such an outcome, however, could fail to fully prepare the CAP for the considerable challenges it may face from 2013, when the current EU financial period ends.

The Czech Presidency’s discussion paper should therefore seek to explore fully the rationale for future policy intervention, with the aim of building political momentum for the drafting of Council Conclusions that can provide a robust, defensible and shared foundation for a future EU agricultural policy. This cannot wait until the Swedish Presidency, which commences in July, as discussions on the future of the CAP within the context of the EU budget review may be sidelined in the second half of 2009 by institutional developments, including the European Parliament elections and the investiture of the new Commission College.

## **Shaping the Debate: Government and Stakeholder Views**

Whilst the Czech Presidency may be expected to work towards reaching a common understanding on the broad objectives for future agricultural policy among the EU-27 Member States, a range of stakeholders have attempted to influence the debate with the publication of vision documents and think pieces. The documents we have reviewed are shown in the Box below.

The pace setters appear to be the visions of the environmental stakeholders and the ELO, those the UK and Dutch governments and the Notre Europe think piece, all of which seek to advance thinking and to place agricultural

policy in a new frame of reference. To date, development interests have not been particularly vocal but they may be biding their time, refraining from presenting their position until a more opportune moment arises. To a conservative audience, the published visions may seem radical and far-reaching. However, as proponents of a particular pro-reform view, they have much to gain from leading the charge, should their vision receive widespread support and result in a sea change in how agricultural policy is justified and delivered in Europe.

### **Vision Documents Published to Date**

#### **Government**

##### **UK**

Defra and HM Treasury (2005) *A Vision for the Common Agricultural Policy*

[available here](#)

##### **Netherlands**

Ministry of Agriculture, Nature and Food Quality (2008) *European Agricultural Policy 2020: The Dutch Outlook*

[available here](#)

(Based in part on this paper: The Social and Economic Council in the Netherlands (2008) *CAP Reform and Public Services of Agriculture.*)

[available here](#)

##### **Poland (not an official vision)**

Office of the Committee of European Integration (2007) *Future of the Agricultural Policy in the Light of the European Union Budget Review in 2008/9 - Material for Discussion*

[available here](#)

#### **Stakeholders/NGOs**

BirdLife International (2008) *New Challenges, New CAP: BirdLife International's Vision for the Future of the EU Common Agricultural Policy [environment]*

[available here](#)

COPA COGECA Declaration (2008) *Visions for the Future of Agricultural Policy in Europe [farming]*

[available here](#)

European Landowners' Organisation (ELO) (2008) *The 21<sup>st</sup> Century Land Use Challenge [farming/environment]*

[available here](#)

Swedish Society for Nature Conservation, Church of Sweden and Federation of Swedish Farmers (2006) *Agricultural Policy and International Solidarity [this is referred to in the text below as the 'Swedish Trialogue'] [environment/farming/development]*

[available here](#)

Wildlife and Countryside Link (2008) *Beyond the Pillars: Wildlife and Countryside Link's Policy Perspective on the Future of the CAP [environment]*

[available here](#)

#### **Think Tanks**

Notre Europe (2008) *CAP Reform Beyond 2013: An Idea for a Longer View*

[available here](#)

Have we missed anything? Are you about to publish your Vision?  
If so, please let us know by emailing [cap2020@ieep.eu](mailto:cap2020@ieep.eu)

## UK and Dutch Government Present Visions for a Step Change in Agricultural Policy

The Vision of the UK Treasury and Defra, published in December 2005, presents a critique of the negative impacts of the CAP to date in order to build a case for substantially decreasing total EU spending on agriculture (by eliminating all price support, export refunds, and production subsidies) and refocusing the remaining expenditure on promoting sustainable rural development and the maintenance of the environment. According to the vision, this should be achieved over a period of 10-15 years. The authors are clear that the vision does not provide a 'route map' for changing the CAP, for which it was criticised in some stakeholder circles. Arguably, a more fully realised vision would discuss the kind of instruments that might best respond to these objectives in a cost effective way, present an idea of the level of funding required, and indicate how this might best be determined.

The approach of the Dutch government in its 'Outlook', published in September 2008, is perhaps more comprehensive in that a clear effort has been made to consider systematically why and how the CAP should be restructured. It sets out the challenges facing agriculture, before describing the broad principles for policy intervention and an outline of a future European policy framework. The Dutch government suggests that the current two Pillar structure of the CAP should be phased out and replaced by a single European agricultural fund co-financed by national and regional governments. This fund should partly be used to improve competitiveness, for example, by supporting innovation, but should also be used to pay for the maintenance of agricultural activities in order to support 'socially desirable values that are not rewarded by the market', such as 'nature', 'environment', 'landscape' and 'animal welfare'. A policy framework that provides reward for 'creating socially desirable features and socially desirable functions' and for the delivery of 'collective goods' in excess of the baseline legal requirements is presented, as is a general outline of an approach to managing the transition from the current CAP to the one presented. This, for example, would include the phasing out of all decoupled income support by 2020.

Other European governments have not been as forthright, although Denmark and Poland have both made small incursions into the debate. The Danish government organised a [conference](#) in April 2008 which sought to examine the role of a sustainable agriculture sector in a free market over the next 15 years. Although the stated intention was not to draw any formal conclusions from the conference, in the background materials, the Danish government set out their objectives for the future of the CAP. This includes the elimination of direct payments and a refocus on rural development and the environment through a common policy.

In February 2007, the Polish government's Office of the Committee of European Integration published a paper to examine various scenarios in order to identify the changes that could be made to European agricultural

policy for the period after 2013. Whilst it is billed as a discussion paper, and does not provide an official position, a clear case is made for the continued provision of direct payments under Pillar 1, with the authors stating that any reductions in direct payments should be compensated by an expansion of the competitiveness measures provided by Pillar 2. In developing one scenario the authors stated, however, that Pillar 2 could be used ‘to “pay” farmers for the public goods they produce’ after 2013, although this statement does not feed through directly to the report’s conclusions and recommendations.

These documents provide a good indication of the likely negotiating position to be taken by these Member States over the course of the discussions that will take place under the guidance of the Czech and Swedish Presidencies. Indeed, there is a certain level of convergence between the broad visions of the UK and Dutch governments, and with Sweden known for advocating a liberal, pro-reform agenda, a strong case for substantive reform to meet objectives related to sustainable rural development and the environment could be envisaged. Other Member States may be expected to expose their views as the debate advances. In the meantime, the [reform profiles](#) written for the CAP2020 website by Member State experts provide an outline of the positions being adopted by a range of Member States<sup>1</sup>.

## **Environmental Stakeholders Argue for ‘Public Goods’ to Underpin a Future CAP**

Non governmental organisations and civil society think tanks and research institutes have a valuable role to play in presenting their own views and in challenging the visions of government stakeholders. Four of the visions have, at least in part, built a justification for future EU policy intervention in agriculture on the basis of the provision of ‘public goods’. In this sense, the public goods concept is beginning to serve as a banner for those who favour an agricultural policy that promotes a greater level of spending on delivering environmental outcomes than the current CAP.

BirdLife International argue that ‘The principle of public money for public goods should be at the core of the CAP’s successor’, whilst the UK Wildlife and Countryside Link (WCL) stress that ‘public money should deliver a wide range of public goods alongside the sustainable production of food and other commodities.’ The Swedish ‘Triologue’ explain the theory of public goods, outline how it applies to the environmental and social components of farming and suggest how it presents a case for legitimate public expenditure on agriculture. This leads to the presupposition that ‘public payments to agriculture should take the form of, and be considered, compensation for the public goods and other social values that agriculture delivers.’ The ELO state that it is ‘necessary to ensure that proper public payment for the value of public goods and services delivered [by land managers] is guaranteed.’

However, as with the concept of ‘agricultural multifunctionality’, the term is being used somewhat loosely which runs the risk of debasing the concept, and undermining its robustness as a justification for EU intervention. In the box below we provide a technical definition of the term and our interpretation of how it might apply to farmland biodiversity.

#### **Public Goods and Agriculture**

One of the most widely used technical definitions of a public good is one which is defined by the attributes of non-rivalry and non-excludability. In other words, if a public good is consumed by one person, others cannot be excluded from consuming it (non-excludability) and in consuming it, the supply is not depleted (non-rivalry). In practice, there are few pure public goods, and many are ‘quasi public goods’ since, for example, there may be a practical limit to the number who can consume them (e.g. overcrowding at a viewpoint of an attractive agricultural landscape).

In the farming context, this could mean that the rare flora and fauna provided by certain farming systems are a public good. There is no limit to their consumption (interpreted here in terms of the numbers who can view the flora or fauna or gain enjoyment from knowing of their existence) and no-one can be excluded from their consumption (for example, you do not have to pay a fee to specifically view these species). However, the lack of a market to provide these public goods creates a case for public policy intervention and an associated spending programme in order to support the farming systems with which rare flora and fauna are associated.

Public goods provide an attractive framework for the promotion of visions that have sustainable land management objectives that exceed the requirements of the legislative baseline at their core. For it to be applied in a European policy framework, however, the theory of public goods, its application to European agriculture and its implications for the policy framework must be thoroughly understood.

### **Stakeholder Ideas for a New Policy Framework**

Whilst the most significant impact of the publication of these Visions may relate to the emergence of public goods on the political agenda, they also present some ideas for developing a new policy framework.

In the Visions of BirdLife, the ELO, the Swedish ‘Triologue’ and WCL, the challenges facing agriculture are set out as a precursor to presenting a broad vision and an outline of the future structure of a European agricultural policy. The WCL, BirdLife and ELO Visions present a broad policy framework, labelled by WCL as the ‘European Sustainable Land Management Policy’ and by BirdLife as a ‘sustainable land management and rural development policy’. The ELO advocates a European ‘Food and Environmental Security Policy’, in which the production of food and the preservation of natural resources and the environment are treated with equal weight. It is reasoned that natural resources, and the whole suite of environmental goods and services, should be protected, and that this is

essential to maintaining Europe's productive capacity and ability to respond to global food security risks.

Most stakeholders have not yet entered a discussion of the type of measures that would fall under a new policy framework. In the case of WCL, a tiered approach to payments is presented. A low level of support would be provided for meeting cross compliance requirements, a greater level of support for resource protection and environmental enhancements, with the greatest level of support available for undertaking significant environmental enhancement in target areas. A separate stream of funding would be available to support farming systems which consistently produce a higher level of environmental output, including High Nature Value and organic systems. WCL also go on to consider the budgetary impact of their proposal as well as what it means for the competitiveness of European farming.

In contrast to the visions of the environmental NGOs, the farming lobby umbrella group COPA-COGECA do not make any reference to the future structure of the CAP in their Vision document. Eight objectives are presented as the basis for building consensus on funding requirements from 2013. These include the need to increase productivity and competitiveness, to maintain a diversity of high quality food, and to ensure a fair standard of living for agricultural producers. A number of environmental objectives are also included, such as encouraging land management practices which promote the conservation of biodiversity and habitats. To this end, it is stated that the future CAP should ensure that the 'public services' provided by farmers should be adequately remunerated.

A Task Force brought together by the think tank, Notre Europe, published a paper in May 2008 in which a range of proposals are put forward to enhance the future legitimacy of the CAP. The paper assesses the successes and failures of the CAP since 1993 and describes how factors such as market developments and shifts in societal demands are providing a new context for agricultural policy. A revised set of objectives and principles are presented and a pathway to reform presented. This includes a proposal for converting the present direct payment system to a three tier 'Contractual Payments Scheme'. The first tier includes a basic husbandry payment, available to all farms, paid at a flat rate on all farmland maintained according to basic environmental standards. The second tier includes a natural handicap payment, coupled to farming activity that produces 'environmental services', and would be paid in geographically delimited areas with natural handicaps. These payments could be coupled with production or animal heads where inputs and stocking rates are low. A green points payment, based on incurred costs and on the value provided to society as a whole, and paid for the provision of 'designated environmental services of higher value', forms the third tier. Approaches to calculating payments on the basis of the value of environmental services remain relatively under-explored in research circles - an issue the authors acknowledge. The authors also propose co-financing all three payments, and involving local governments in order to increase accountability in the expenditure of public funds at the geographical level they are disbursed. The need for a large and

flexible agricultural budget in order to fund the high participation rate required to meet environmental objectives is underlined by the authors.

## **A Robust Anchor for the Debate**

A small number of Member States and stakeholders have attempted to establish the parameters of the debate on further reform of the CAP. Given the critique of European expenditure that will take place during the review of the EU budget, and the likely exertion of principles such as the need for European expenditure to deliver added value, those documents that couple a broad overarching direction of travel to a solid conceptual rationale may receive the most favourable reaction by the broader stakeholder community at this stage in the debate. Further inputs are now needed from other Member States and stakeholders in order to reflect a diversity of views and so establish the degree of convergence between government and stakeholders in advancing towards a widely accepted, common vision.

This all points to the need for conceptual clarity in establishing the foundation for future EU policy intervention in agriculture. The documents published to date variously justify future public expenditure on agriculture through the use of terms such as ‘public goods’, ‘environmental services’, ‘public services’ and ‘socially desirable values’. These terms are a central part of the new reform lexicon and work is underway to apply these terms in an agricultural context and to examine their policy implications. Whilst vested interests will almost certainly come into play as the political debate between Member States progresses, a solid conceptual foundation and an outline of a robust policy framework will provide an invaluable point of reference for what will be a highly charged affair.

## **About IEEP**

The Institute for European Environmental Policy (IEEP) is a leading centre for the analysis and development of environmental and related policies in Europe. An independent, not for profit organisation, the Institute has offices in London and Brussels. IEEP brings a non-partisan analytical perspective to policy questions and engages in both pressing short-term questions and long-term strategic studies. We are a registered charity.

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<sup>i</sup> Member State Reform Profiles are available for the following Member States: [Czech Republic](#), [Denmark](#), [Finland](#), [Germany](#), [Poland](#), [Spain](#) and [Sweden](#). Profiles for other Member States will be available in the coming months.