



Country Land &
Business Association
RURAL ECONOMY IS OUR BUSINESS

Groupe de Bruges
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La PAC del Futuro

Public Goods from Private land

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La PAC del Futuro

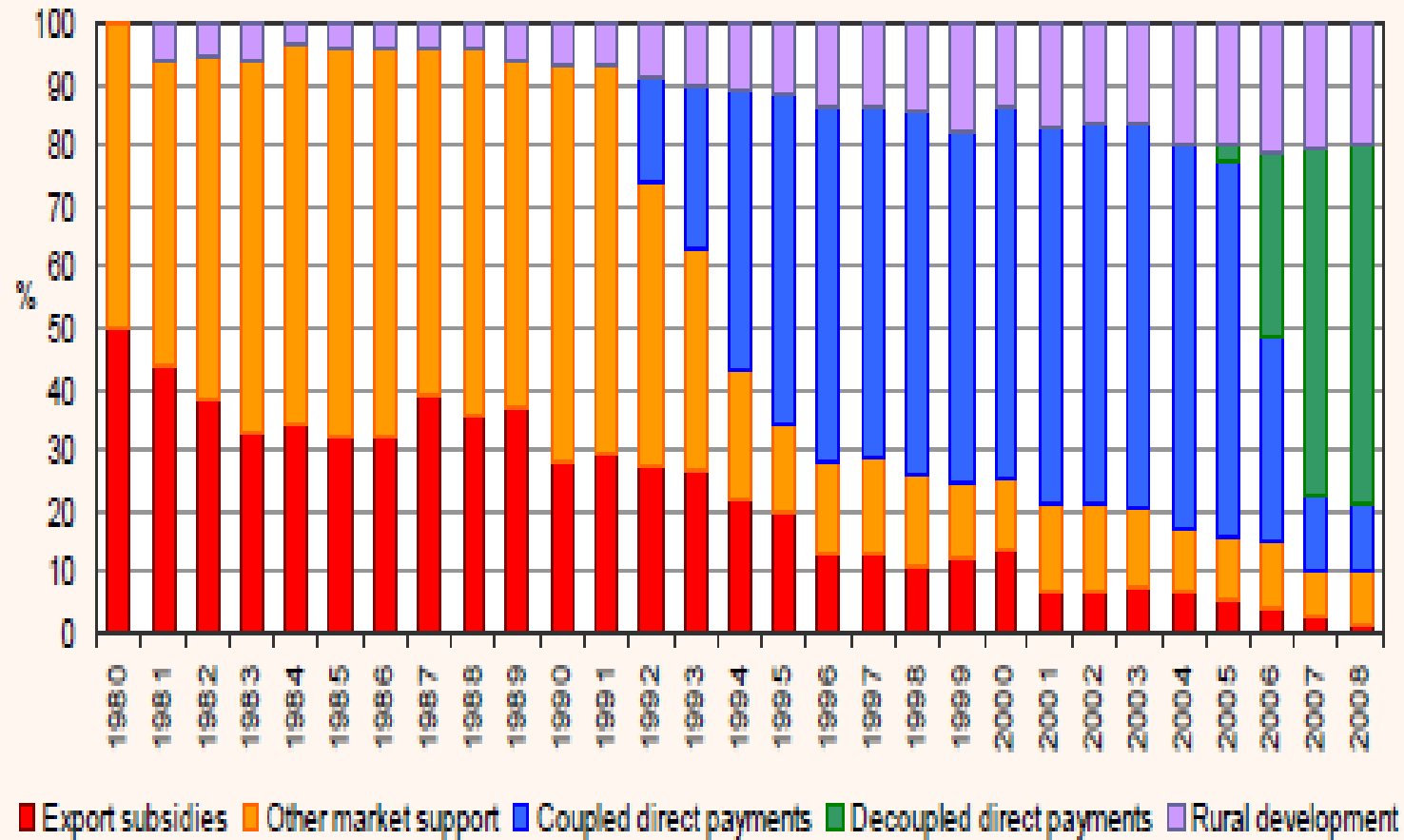
Public Goods from Private land



- Pressures for further reform
- Stronger emphasis on Public Goods
- Why European common policy?
- How to deliver the Public Goods?



Figure 2: The evolution of the CAP – the full picture.



Source: DG Agriculture and Rural Development.



Where next?

Pressures for further reform

1. EU Budget review + exploded public deficit
2. Yet, unhealthy dependence on direct payments
3. Redistribution of CAP support: new Member States say they get a raw deal
4. Wide acceptance of paying for public goods
 - Farmers argue a food security case for continued protection & income support
 - I'm suggesting continued strong CAP for Food **and** Environmental Security





Figure 3 Dependence on Single Payment, EU27, 2008e

Source: Eurostat Economic Accounts of Agriculture: Subsidies/Factor Incomes

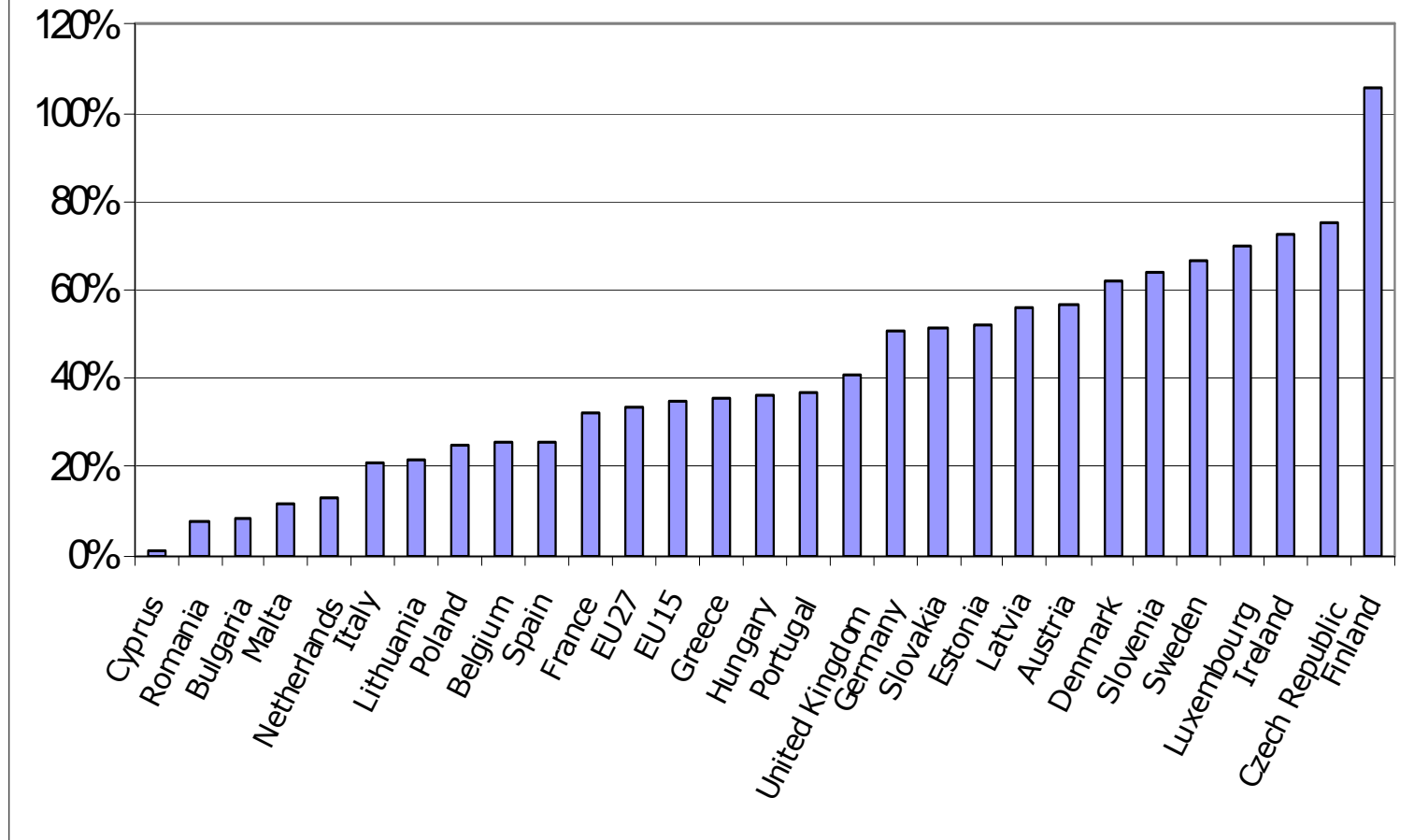
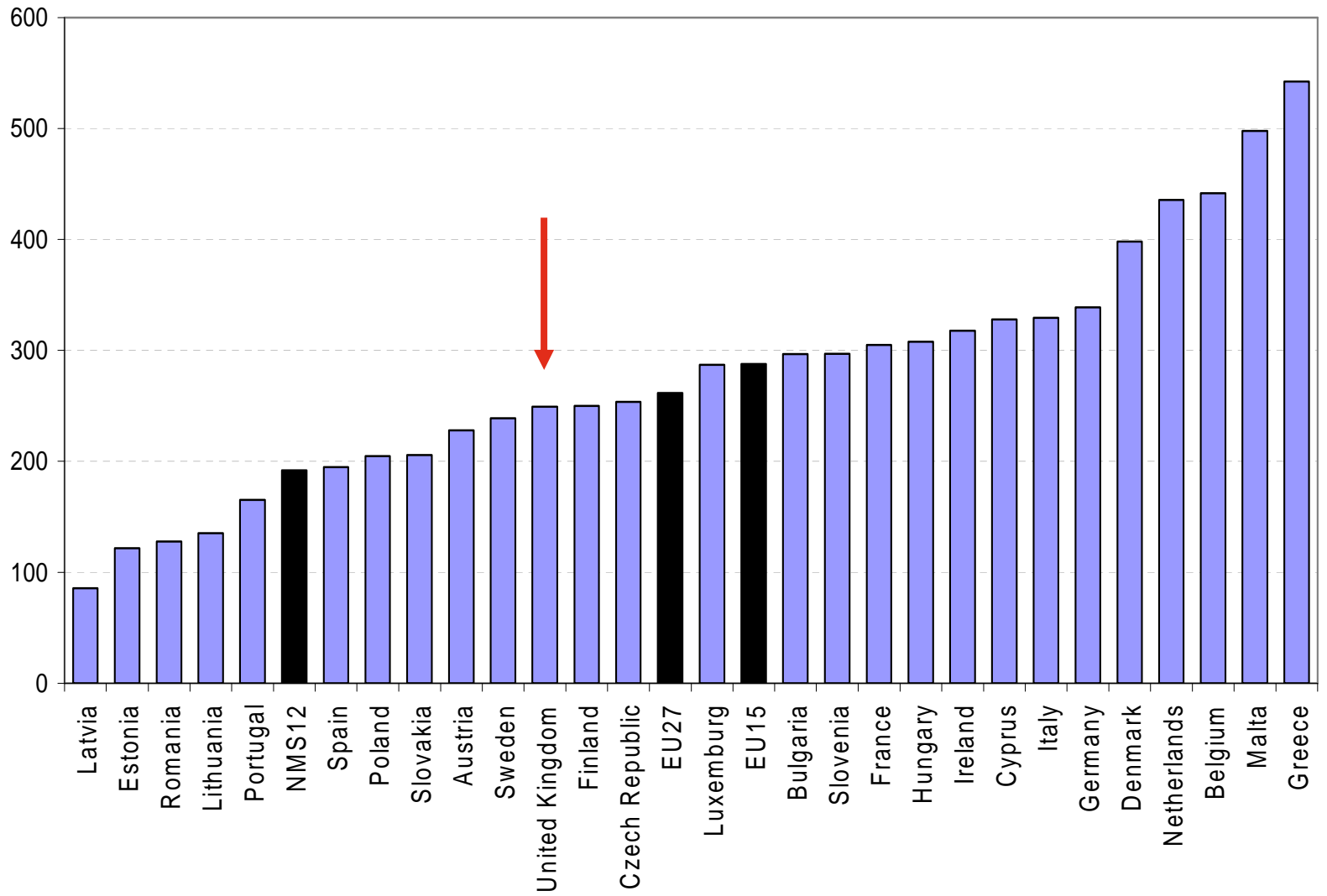




Figure 1: Average direct payment per MS (in € per hectare)





Redistribution of CAP support

- **Objectives:**
 - Can't judge fairness until purpose agreed
 - Forward looking not historic
 - Objective and objectives based
- **Criteria:**
 - Agricultural area
 - Incomes (non-farming/farming) at PPP
 - Agricultural work force
 - Environmental challenge: designated areas
- **Harmonisation trajectory**
 - Pace of change, present to desired distribution

What are the Public Goods?

- **Resource Protection**
 - **Water** – quality, quantity, filtration, storage, flood Protⁿ
 - **Soil** – structure and fertility, C sequestration
 - **Air** –reducing NH₃, N₂O, CH₄ and CO₂
- **Biodiversity**, habitats, species and genetic diversity
- **Landscape** and cultural heritage
- **Questions to address**
 - The value and costs of delivery
 - Who should pay ?
 - At what level, EU, National, Local?
 - Recent studies: RISE Task Force, Commission DG Agri, LUPG study £1.98b costs, paid £0.7b



Arguments for continued EU *common* policy and funding

- Competence
- Competitiveness
- Cross-boundary effects
- Common European goals
- Cohesion





How to deliver?

- Don't be dogmatic about the two Pillars
- Decide the budget
 - its distribution - both Pillars
 - degree of co-financing
- Arrange the measures according to the structures best suited to their efficient delivery
 - Annual vs multi annual
 - Programmed vs reaction based
 - Recurrent payments vs investment aids

Five elements for the CAP

- Strong, common policy with resources to match which provides:
 - agricultural productivity and competitiveness
 - a basic decoupled payment scheme
 - tiered agri-environment schemes
 - ways of supporting marginal areas
 - measures promoting wider rural development



Productivity & competitiveness

- Training, knowledge transfers and skills (P2, A1)
- Aid for restructuring, new entrants and helping retirement (P2, A1)
- Aid for producer groups, (P2, A1)
- Crop insurance & animal disease insurance (A68, P1)
- Safety-net, commodity intervention (Single CMO, P1)
- New challenges measures Investment Aids for:
 - renewable energy,
 - reducing Green House Gas,
 - waste management incl. AD,
 - meeting Water Framework Objectives.



Basic decoupled payment scheme

- Single Payment Scheme:
 - **Shrinks**, transitional adjustment assistance?
 - **Funds redistributed** + fully decoupling & shift away from historic ?
 - **Shift towards public goods ?**
 - More of the character of Pillar 2
 - Purpose; multi-annual; contracts
 - Cross compliance to compliance
 - Base level stewardship, and/or LFAs



Delivering the public goods via tiered agri-environment schemes



- Higher tiers of public good delivery
- Sufficiently refined calculations of payment rates?
- How to cope with rising commodity prices?
- Striking the balance between
 - Operational practical sense to farmers
 - Administrative feasibility and cost
 - Delivery of environmental outcomes

Ways of supporting marginal areas?



- Move from negative LFA and Areas of Natural Handicap, to positive 'High Environmental Value' HEV
- Defining HEV - lines on maps, farming characteristics, environmental outcomes or all?
- The problem of the payment basis
 - Income forgone from farming is insufficient
 - Income forgone from moving out of farming
- Ensuring it does not distort commodity markets

Measures promoting wider rural development



- Economic diversification essential for industry characterised by part-time farming
- Rural services: e.g. broadband
- Rural infrastructure
- Assisting social capital creation
- Partnership /collaborative approaches LEADER
- Particular importance in the new Member States

Concluding remarks

- Critical decisions confronted are:
 - The scale and purpose of the CAP
 - Fairer, future oriented distribution of support
 - Most existing measures survive
 - New uses for the 'new' challenges
 - Stimulating needed farm business restructuring
 - Sharing the costs
 - The fate of Pillars, Programming, Strategic approach
- Challenges are no smaller so why should the policy be?





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