



Vista on a new rural policy Replacing the CAP after use

Europe has one of the most productive farming sectors in the world, producing a tantalizing variety of food in some of the oldest and diverse cultural landscapes. Valuable assets which should be well taken care of – for instance by the European agriculture policy, the CAP. This paper outlines why a new approach to agriculture policy is necessary and in which direction it should be changed.

Time to take a sharp turn

Food is less abundant, partly due to growing demand for biomass. Farm income is likely to rise, but the market may also prove to be more volatile than in the past. Liberalisation may cause a “race to the bottom” at the expense of the environment and cultural landscapes. Even if the EU tries to integrate sustainability into its policies, biodiversity, fresh water, soil quality and cultural landscapes are still in decline. Such severe environmental conditions, added to climate change, also put pressure on farming itself. The current Common Agriculture Policy (CAP) is not equipped to adequately deal with these challenges.

New policy, fresh goals

What is needed is a new policy to deal with the new challenges, with partly new objectives. Some familiar ones remain: to secure the supply of safe, diverse and healthy food for the European population, also in times of calamities. It should be noted that food availability is the aim, not food production. New goals should be added: transparency to the consumer, acceptable levels of animal welfare, and allowing developing countries market access and freedom to protect their home markets. Furthermore, the new policy should guide socio-economic rural transitions. And finally, it should sustain and enhance natural resources, including soil, water, air, the climate and biodiversity as well as cultural landscapes.

Three domains: food, rural environment and transition

The response to these developments is a new European policy covering three domains: food, rural environment and rural transition. Each has its own characteristics and principal instruments.

Food policy is mainly based on regulations like quality standards and labelling, and trade agreements.

To ensure food security some market-oriented instruments are kept in reserve in case of extreme price fluctuation or food shortages, such as strategic stockpiles, production quota or safety-net prices.

The domain of **rural transition** is aimed at broad changes like socio-economic shifts in the new member states, but also climate change and new challenges in the field veterinary health and animal welfare require. Substantial funds will be dedicated to this transition; these are, however, payments of a temporary nature.

By far the largest share of the budget flows to the domain of **rural environment and cultural heritage**. Farmers and other land managers are to be fairly and directly rewarded for environmental services (i.e. managing and maintaining natural resources such as soil and water), or payments for broader public services such as management of cultural landscapes. It makes sense to concentrate efforts and funds at this domain. After all, a healthy environment is the lifeblood of both people and farming, and is a core principle of the EU. Our agricultural landscapes are a unique cultural heritage. Both the environment and landscapes have suffered the last 50 years of intensification and modernisation of farming, and may suffer more as farmers seek to further “rationalise” their production in response to liberalisation. To prevent, repair and reverse these effects requires serious efforts – and funds.

It remains to be seen if the budget should be at EU-level or if it can be partly renationalised under an agreed European framework.

Replace CAP after use

The new EU policy for food, rural environment and transition takes reform of the old CAP a step further. The philosophy for farm-subsidies is turned upside down: governments do not support farmers' income but pay farmers for delivering public goods like caring for landscape and nature. Furthermore, rural development is separated from such payments so as to clearly distinguish such semi-permanent payments from broader temporary investments in rural areas. And some old objectives are abandoned altogether since they are obsolete: cheap food is no longer an issue, with consumers spending only about 12% of their income on food. Instead, the new policy focuses on the most pressing issues: environment, landscape, food quality and food availability.

On what basis?

This new food, rural environment and transition policy fits well within the EU framework. It supports several of the original objectives of the CAP. It integrates environmental concerns fully into the policy, as required by the EU Treaty. It is in line with the EU's submission to the current WTO Negotiations: reducing trade-distorting support and integrating none-trade concerns (like environment, rural development and labelling) into the Agreement on Agriculture. The one element which may require further thought is the basis for payments under the Green Box: a fair payment for public goods should be set (more) independent of income foregone and costs incurred.

No regret

Any change to the CAP in the short term should support the transition to the new rural policy as described above.

- Link payments to public services, clearly indicating which kind of services. For instance, link payments to environmental and landscape management, but not to food security.
- Ensure that payments to land managers stimulate good land management. Structure the payments so that they form a coherent package, with low ambitions forming the base of the package (legal requirements and good agricultural practice). Regionalised single farm payments, payments from the national envelope (article 69) and agri-environment payments form layers of increasing specialisation for increasingly fewer areas.
- Carefully consider the (future) need for instruments for buffering market fluctuations such as strategic stockpiles and insurances.
- Develop EU policy for cultural heritage and landscapes in order to have the legal basis in place when serious CAP-reform takes place in 2013.

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