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**La PAC del Futuro**

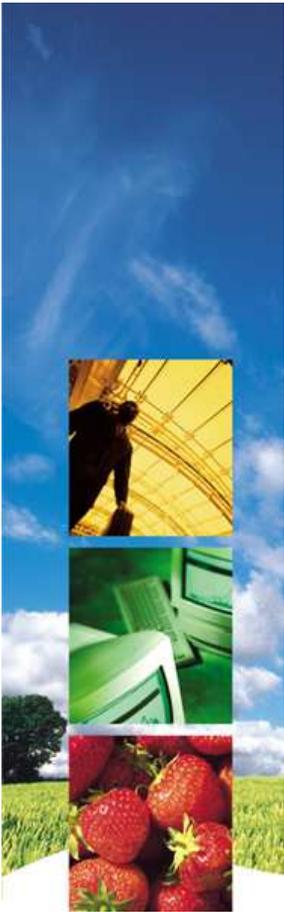
**Public Goods from Private land**

**Allan Buckwell**

CLA - Policy Director

# La PAC del Futuro

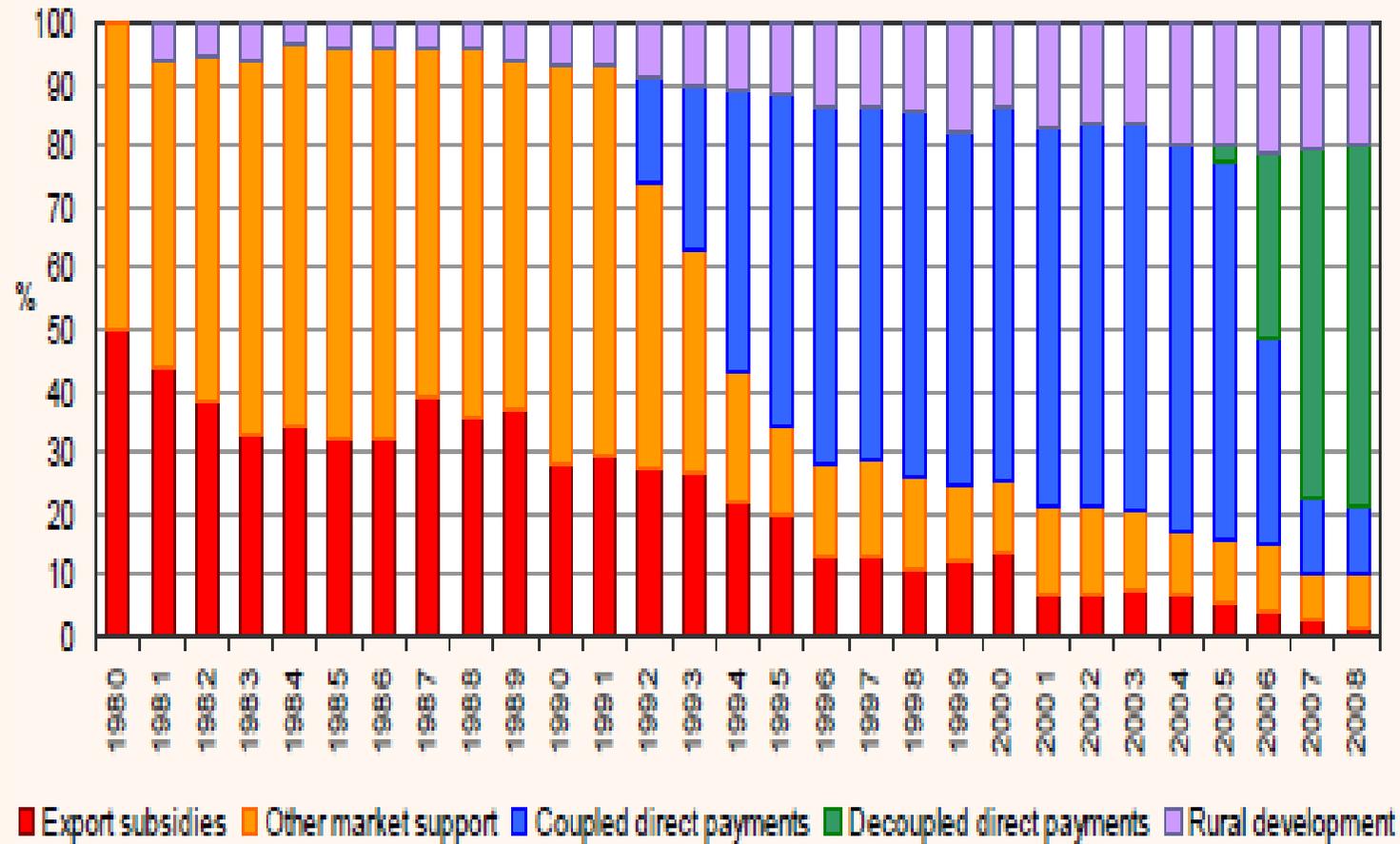
## Public Goods from Private land



- 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.



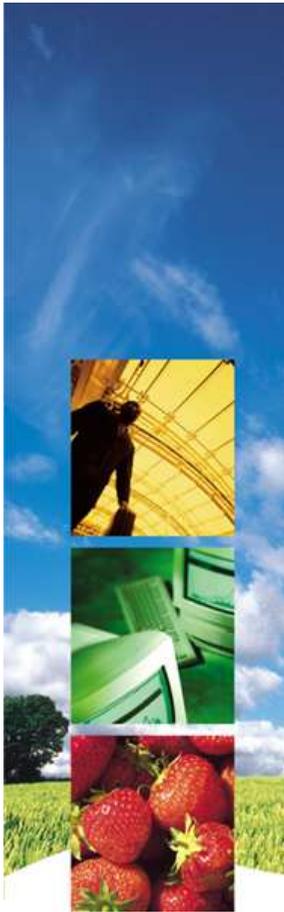
Source: DG Agriculture and Rural Development.

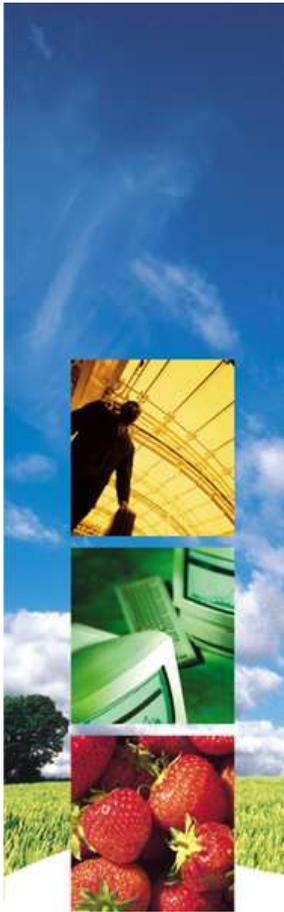


Where next?

# Pressures for further reform

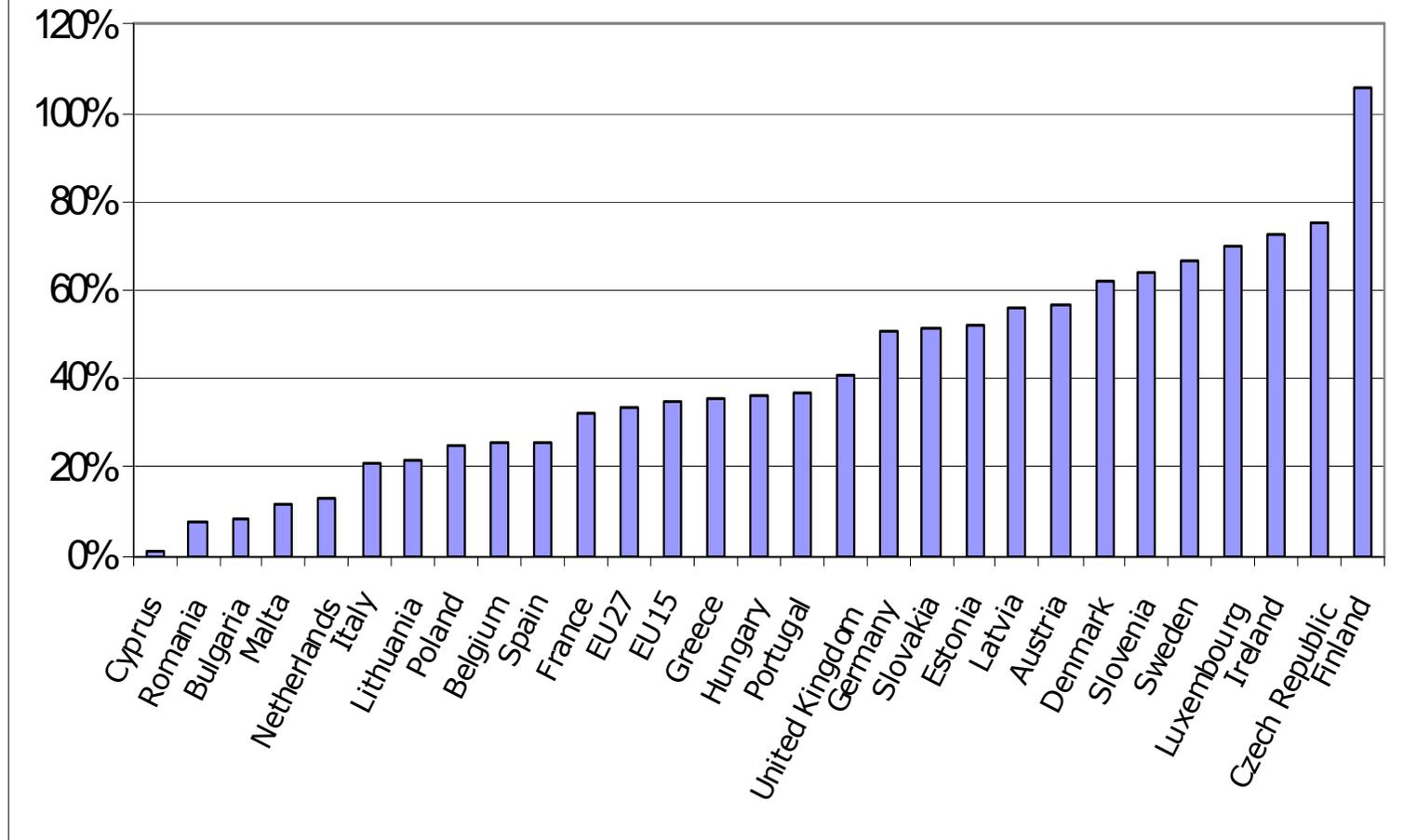
1. EU Budget review + exploded public deficit
2. Yet, unhealthy dependence on direct payments
3. Redistribution of CAP support: new Member States say they get a raw deal
4. Wide acceptance of paying for public goods
  - Farmers argue a food security case for continued protection & income support
  -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



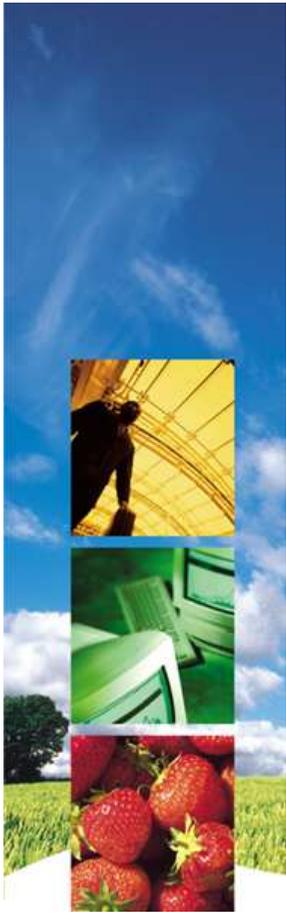
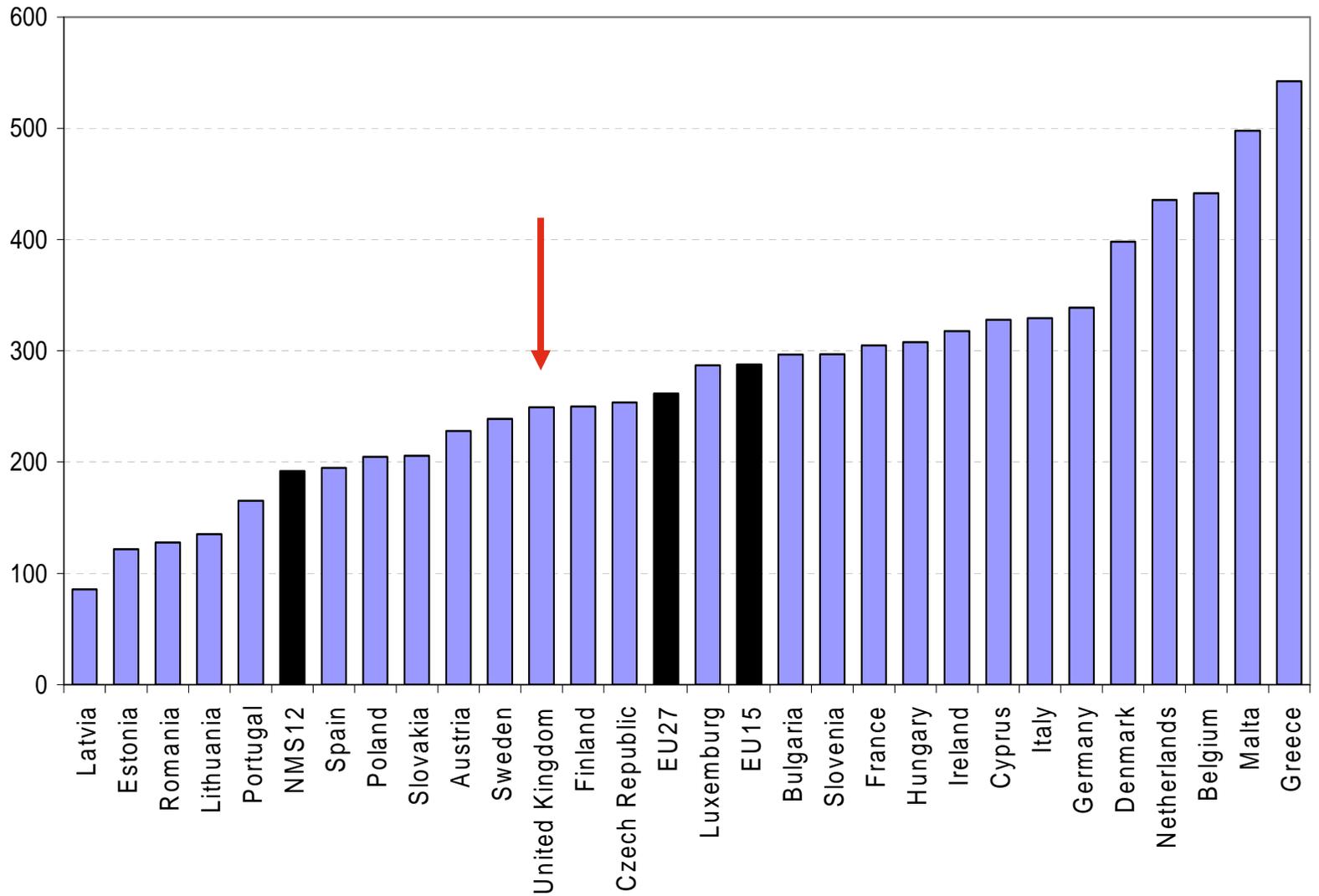
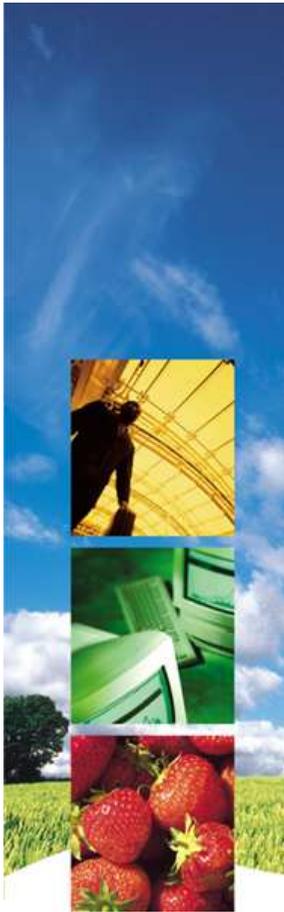


Figure 1: Average direct payment per MS (in € per hectare)



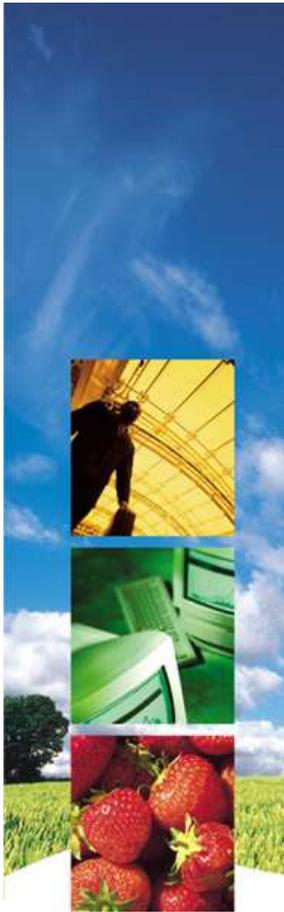


# Redistribution of CAP support

- **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

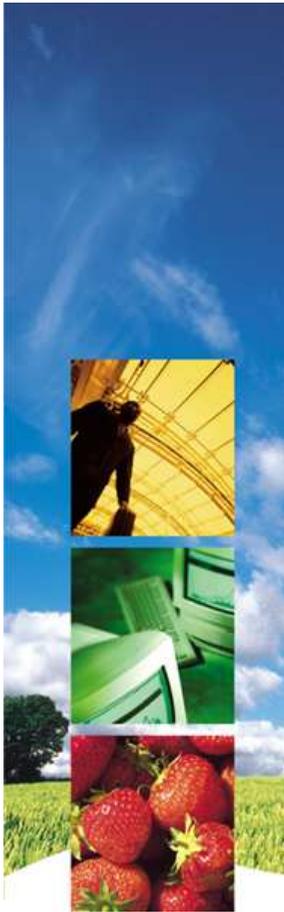
# What are the Public Goods?

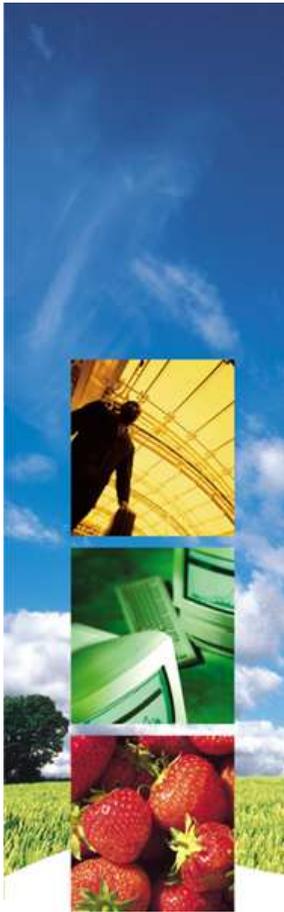
- **Resource Protection**
  - **Water** – quality, quantity, filtration, storage, flood Prot<sup>n</sup>
  - **Soil** – structure and fertility, C sequestration
  - **Air** –reducing NH<sub>3</sub>, N<sub>2</sub>O, CH<sub>4</sub> and CO<sub>2</sub>
- **Biodiversity**, habitats, species and genetic diversity
- **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



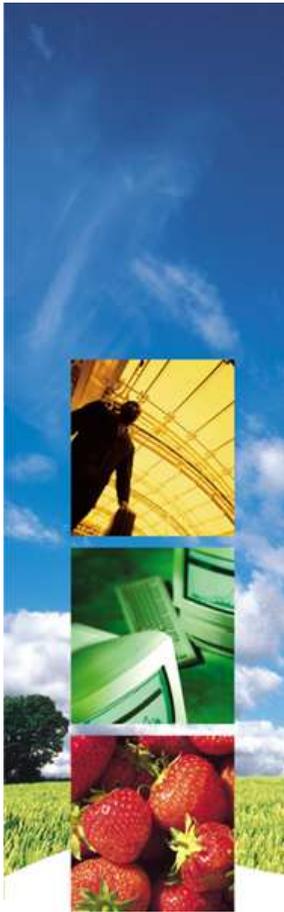


## How to deliver?

- 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

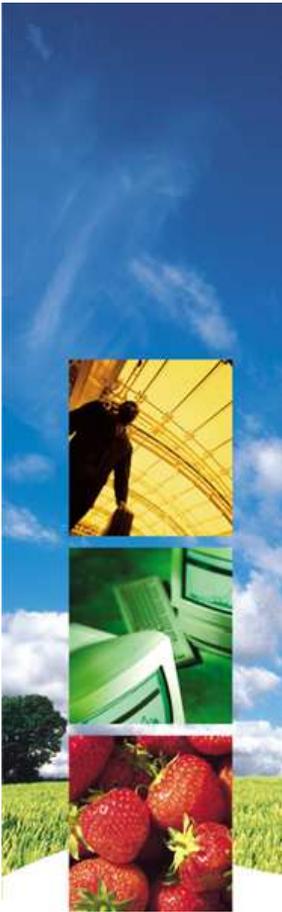
# Five elements for the CAP

- 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



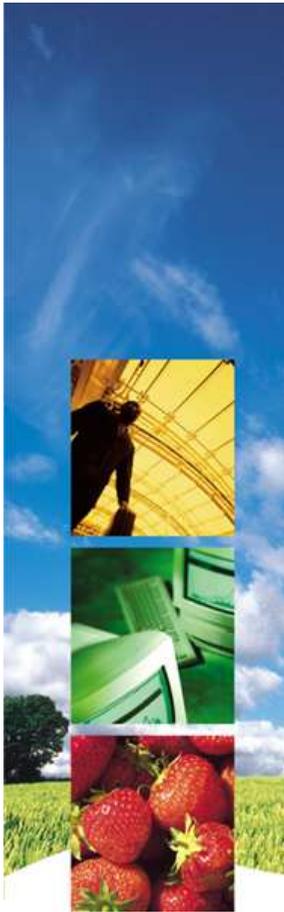
# Productivity & competitiveness

- 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.

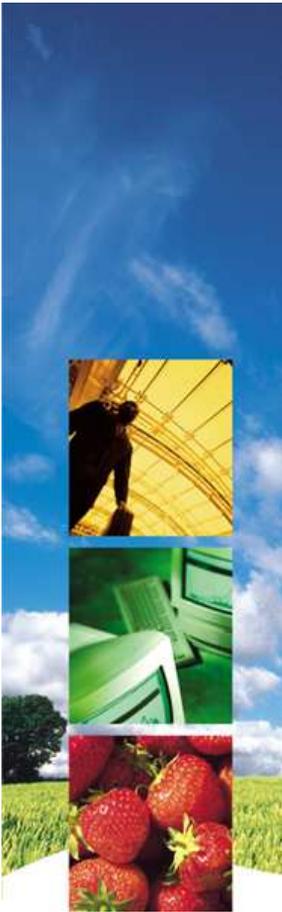


# Basic decoupled payment scheme

- 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

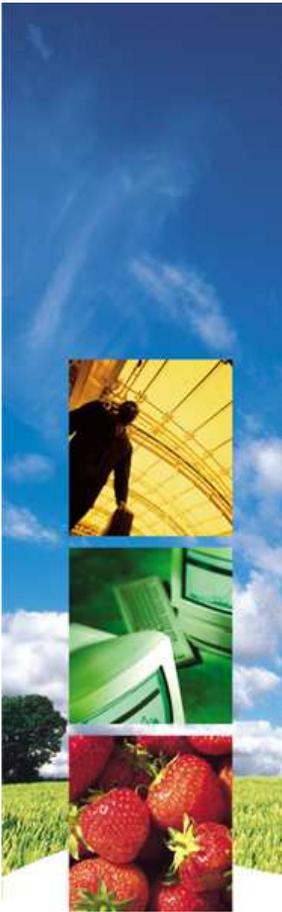


# Delivering the public goods via tiered agri-environment schemes



- 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

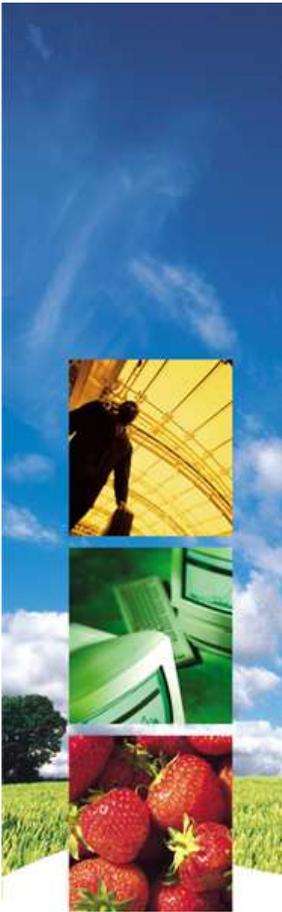
# Measures promoting wider rural development



- 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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