

The CAP serving eco-climate goals: observations, questions and two recommendations

Manuscript of a presentation at the CAP Congress “CAP strategic plans – exploring Eco-Climate schemes”, Leeuwarden, February 6 2019

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Introduction

Remarks in advance....

- National perspective is German.
- A lot of inspiration and content is originating from my work in the Scientific Advisory Board for Agricultural Policy, Food and Consumer Health Protection: „*For an EU Common Agricultural Policy serving the public good after 2020: Fundamental questions and recommendations*” (https://www.bmel.de/SharedDocs/Downloads/EN/Ministry/Agriculture/Policyafter2020-report.pdf?__blob=publicationFile).
- Zoomed out: Looking at the CAP as a whole and from a “society at large perspective”.

Main messages in advance:

Progress needs to be urgently made in focusing the CAP on eco-climate-animal welfare objectives.

- As these are the main challenges for today's agriculture!
- Resulting from:
 - aiming at ambitious targets,
 - which are partially costly to achieve,
 - while working in open economies – and thus with international price competition.

The CAP is stagnating since the 2003 reform, which was the last “real reform”; afterwards, we had mainly cosmetic changes.

That results in:

- a loss of public acceptance of the CAP,
- and budget!
- And keeps us from getting the public services we want from agriculture,
- and from reaching our objectives.

The main cause is that we stick to a wrong narrative on agricultural policy, I'd call it the income paradigm, instead of moving to a clear performance paradigm: public money for public goods!

Outline:

- 1. We are lagging behind**
- 2. The CAP stagnates**
- 3. The wrong narrative behind a „wrong policy“: the income paradigm**
- 4. Few questions....**
- 5. Two recommendations**

1. We are lagging behind

4 Examples:

1. Fertilization and water quality

- Targets of
 - the Nitrates Directive,
 - the Water Framework Directive,
 - the Marine Framework Strategy Directive
 - are not achieved in many regions of the EU.

- But we know, how to achieve them:
https://www.bmel.de/SharedDocs/Downloads/EN/Ministry/Scientific_Advisory_Board-AmendmentDueV.pdf?__blob=publicationFile

2. Biodiversity

- Target Biodiversity Strategy 2010: Stop biodiversity loss until 2020!
- We are far from reaching that target. Still strong reduction of biodiversity in open landscapes, e.g. in Germany.
(https://www.bmel.de/SharedDocs/Downloads/Ministerium/Beiraete/Biodiversitaet/StellungnahmeAgrarpolitikErhaltbioVielfalt.pdf?__blob=publicationFile)
- We know what to do:
 - More landscape diversity
 - More crop diversity
 - More landscape elements
 - More extensively or not used pieces of land
 - Less deep fields (not necessarily smaller)
- But all this costs money!

3. Climate change mitigation!

- About 25% of total GHG emissions come from our food systems.
- Peat land extensification needs monetary compensation.
- And we need to talk about the level of animal product consumption (the “future of **food** and farming”? Another cosmetic exercise?).
 - Marginal responsibility at EU level in DG health.
 - But not as part of the CAP, and not aiming at “sustainable consumption”.

https://www.bmel.de/SharedDocs/Downloads/EN/Ministry/ClimateChangeMitigation.pdf?__blob=publicationFile

4. Animal welfare

- Germany: Cost of a major jump forward 3-5 Billion € annually:
 - 13-23% of production cost
 - (For comparison: direct payments for Germany are about 5 billion €)
 - (Also for comparison: Our current animal welfare premiums as part of the CAP are about 40 million € annually).
- Other EU members may be similar on average:
 - Same intensive husbandry systems in animal fattening.
- How can we expect a jump forward in animal welfare, if we do not have a funding strategy?

https://www.bmel.de/SharedDocs/Downloads/EN/Ministry/ScientificAdvisoryBoard-Pathways.pdf?__blob=publicationFile

2. The Cap is Stagnating

- Nothing serious after decoupling as the major element of the 2003 reform.
- Budget: Pillar two budget share in the CAP is declining since 2014 reform!
 - Please digest slowly: This is moving backward; into the policy of the past!
 - 2013 about 25%.
 - Under the Ciolos “reform” (2014-20) about 24%.
 - Currently envisaged (2021-27) about 21,6%.
 - I know, the pillars are a concept of the past... but... How sure can we be that the reform will have teeth in making the first pillar more targeted?
- Total budget is vanishing...
 - After every reform, many farm lobbyists are satisfied that again “more or less unconditioned direct payments” are maintained as the main CAP component.
 - And the “efficiency partisans” are glad that the overall budget reduced!
 - As with kids, making no good use of their pocket money, parents may cut in the total,
And other policy areas are cutting into the budget of the CAP:
 - In 1993: About 450 € per ha (in 2018 €).
 - In 2027: About 270 € per ha (in 2018 €).
 - Reduction in 34 years: about 40%!

3. The wrong narrative behind a „wrong policy“: untargeted direct payments

The Income Paradigm

- Sorry to bore you.....
- But this is still mainstream CAP.... See e.g. November 2017 communication of the EC “the future of food and agriculture”
- And this is what is behind the Oettinger budget, which cuts more into the Second Pillar, than into the first!
- So:
 - Complain at the EC.
 - Or, should you be a citizen of a Member State still behind this Narrative on AgPoliy: Complain with your democratically legitimized institutions, which do not get tired to tell this story.

The income paradigm comes in the form of four brainwashing claims:

(and I sharpen these claims not because of disrespect for farmers, but in order to make very clear what kind of deal the farming community engaged in – not a good deal, I would think)

1. Farmers are disadvantaged (weather, price volatility...).
 - Other sectors suffer from other aspects of life (and some suffer from weather, too, such as tourism)!
2. Therefore, they experience an income gap.
Farmers are too (income-) poor, compared to other sectors!
 - This is not generally true. Our statistics are incomplete, non-agricultural income is not considered, etc.
3. It is the task of the CAP to close this gap.
 - This does not fit our model of income redistribution in a market economy: We do that with tax and with social cohesion policy, and not at a sectoral level (income policy for taxi drivers? For snack bars?) but for the economy as a whole, and at the member state level!
4. And we do that best with flat rate direct payments per ha! We need a strong first pillar.... We need reliability in ag policy (as we did something in 92 we still need to do it 27 years later!).
 - Even if we would buy the first 3 steps; addressing an income gap with 300 €/ha? With 30.000 € per 100 ha? With 3 Million € per 10.000 ha?

None of these arguments is convincing, but the income paradigm is dominating the CAP!

- Is this a problem? The payment is purely redistributive, as it is decoupled from production....; that is true; therefore: better than the intervention prices and export subsidies of the past! But:
 - We do not have money to address the real challenges
 - We „victimize“ farmers (would anybody in this room feel happy about positioning him/herself like this? I am disadvantaged? Therefore poor..., in need of flat rate subsidies?).
 - The CAP is losing acceptance; and budget (and institutions?)!
 - In real terms: Payment/ha reduced by 40% from 1993 to 2027.
 - Current (2021 to 27 draft) reduction in real terms: 15%.

What we need instead: A CAP which follows the „performance paradigm“.

- Or call it “public money for public goods”.
- Or call it “money focused on rewarding the provision of the common good”.

Whatever we name it:

- Farmers provide various services and goods, which are, due to their character, not/only to a limited degree tradable on markets!
 - Societal functions/services, public goods/services, the common good.
- In an open economy, we can use markets only to a very limited degree to reward the provision of these goods.
 - We call this market failure (and this is first year’s undergraduate text book wisdom in economics).
 - And therefore, we need other, complementary governance mechanisms.
- And that, is, to a very large extent, why we need agricultural policy!
- This is in line with the European Court of Justice’s interpretation of the “income target” of the CAP:
 - It is not the “need” on a personal or farm level which establishes a case for the CAP to act!
 - It is the “need” to enable the sector to fulfill its societal functions!
- And there, income comes in again:
 - We need to enable the agricultural sector to fulfil its societal functions.
 - And receiving an adequate income while fulfilling these functions is a necessary condition.

4. Questions

How to get out of the income paradigm?

- Do what we call self-plagiarism in science?
 - Spread this message to society at large, again and again: The way we spend taxpayer's money on agriculture is a scandal.
- Aim at opening the “traditional agricultural decision circles” to other stakeholders?
- Maybe better stay out of too much “conditionality” for basic payments?
 - As conditionality would be used to justify the persistence of income payments...
 - The “Basic Income Payment for Sustainability” is a monster term for a “land subsidy”!
 - Do not cover the real content with brainwashing, misleading terms! (otherwise: do not complain about people losing trust in parliamentary democracy).
- Ceilings for the Basic Income Payment?
- Deal long term progress for time? (phasing in the minimum budget for eco schemes over time; start small but increase stepwise over the full financial period).
- Ringfence a minimum total budget for agri-environmental targets?
- Co-fund (almost) all policies, also the non-sense (DP), such that funding the non-sense is getting more painful for member states?
- Frame the “income objective” differently?
 - Of course, farmers must be able to make an income from providing the public goods we want them to deliver!

Eco schemes or agri-environmental programs in the second pillar?

- Eco schemes may have several advantages:
 - Second pillar is often considered as “lost for agriculture”
 - “They fund kindergardens and bus stops with our farmers’ money”
 - The term “modulation” is quite burned.
 - In Germany:
 - Chance for more centralized policies for certain objectives/measures:
 - E.g. organic agriculture, animal welfare.

Where to fund animal welfare?

- Add it as an option to eco-schemes!

How to answer the NGOs fear, that the new delivery model will allow countries to “do what they want”?

- We need member state specific targets and measures: The EU is too diverse for uniform agri-environmental-climate-animal welfare policies.
- What is the reference? Hint at the money already today being paid for non-sense....
 - Flat rate land subsidies accruing mainly to land owners
 - Between 100 € and 500 € per ha, depending on the member state.
 - What is “common” about this?
- Hint at “the Greening experience” about common measures.

- Hint at national responsibilities and capabilities of organized civil society.
 - Not all problems can be solved by Brussels. Civil society can and should demand value for taxpayers' money in all EU member states.
- Hint at the uncomfortable truth, that the limit to a more sustainable ag policy very often is not the EU framework for the CAP, but the implementation in the member states.
 - Recently in a discussion in Germany: Enthusiast statement about the new option to shift 30% from first to second pillar!
 - But today, we can shift 15%, and we do 4.5% in Germany.
 - So what do we gain with a higher limit, but the within member state distribution of power remaining equal?
- Develop and communicate a credible concept of how the EC wants to ensure sufficient ambition in national strategic plans.
 - The legislative proposals are blank/vague on this!
- Develop and communicate enforcement mechanisms which apply if countries do not comply with their own targets.
 - The legislative proposals are blank/vague on this!
- The process of designing, approving, implementing, monitoring and enforcing the strategic plans is a core element of the new CAP. Therefore, this workshop is a timely one and I look forward to the discussions!

5. Two Recommendations

1. **Let's get serious about targeting the CAP at the societal functions of agriculture!**
 - Avoid cosmetics!
 - Aim at the complete budget for public services/societal functions in the long run: This is the only convincing justification for transfers to farmers!
2. **Let the “different communities” (mainly traditional agricultural stakeholders and environmentalists/animal welfare groups) talk more to each other**
 - At all levels!
 - Legislators (different parliamentary committees).
 - Administrators (ministries...).
 - NGOs (farmers unions and environmentalists/animal welfare stakeholders).
 - My impression is: We can learn from the Dutch here. There are many situations....
 - in which the Germans start to argue,
 - while the Dutch prepare coffee and start to talk.
 - I look forward to coffee and talking during this workshop; thanks for your attention!