



PBL Netherlands Environmental
Assessment Agency

CAP after 2013: changes and impacts

Presentation Boerengroep
Wageningen

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Who is PBL?

- PBL is the national institute for strategic policy analysis in the field of environment and spatial planning
- Solicited and unsolicited research
- Mostly outlook studies, analyses and evaluations in which an integrated approach is considered paramount
- Policy relevance, independency and scientific rigor
- Cooperation with Wageningen UR and other institutes
- More info on www.pbl.nl/en/

Content presentation

1. Historical development of goals and instruments
2. The CAP towards 2020 – Legal proposals
3. Impacts on farm incomes and environment
4. Policy options for improvement



1. Historical development of the CAP

Changes in goals of agricultural policy

- Treaty of Rome (1957):
 - to increase productivity;
 - to ensure a fair standard of living for the agricultural Community;
 - to stabilise markets;
 - to secure availability of supplies;
 - to provide consumers with food at reasonable prices.

- From 1992 onwards:
 - environmental issues
 - food safety, animal welfare
 - vitality of rural areas



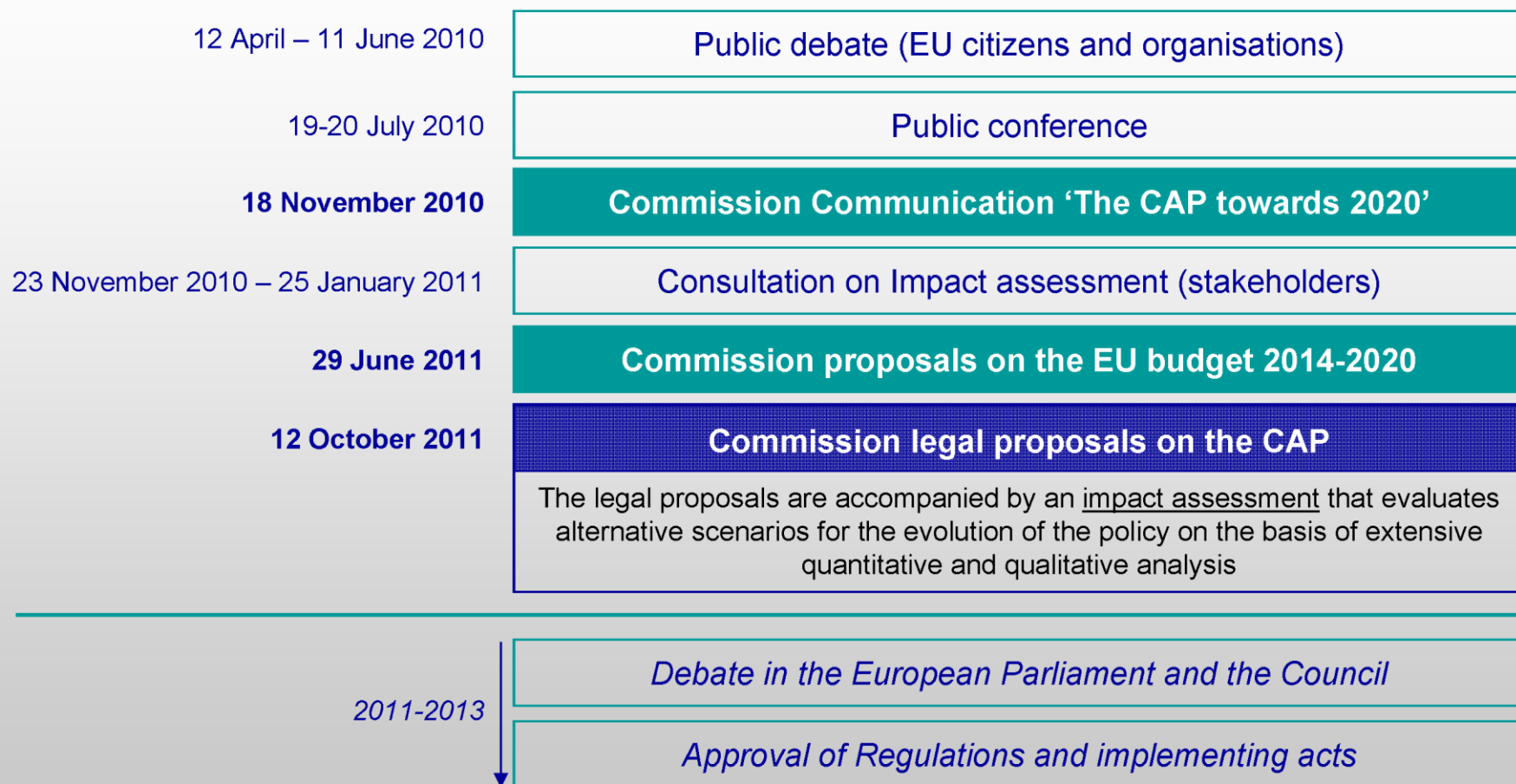
Introduction of CAP instruments

- 1962/68 Common Market Organisation
 - A system of import levies, public intervention and export subsidies – supporting internal market prices
- 1984/1988: Limitation of production
 - Quota for milk and sugar, compulsory set-aside
- 1992/1999: Coupled income support
 - Reduction of guaranteed prices
 - Compensatory payments, linked to areas (e.g. grains), animals (e.g. suckler cows)
- 1999/2000: Rural development Policy (Pillar 2)
- 2003/2008: Decoupling of income support
 - Single farm payment
 - Cross-compliance

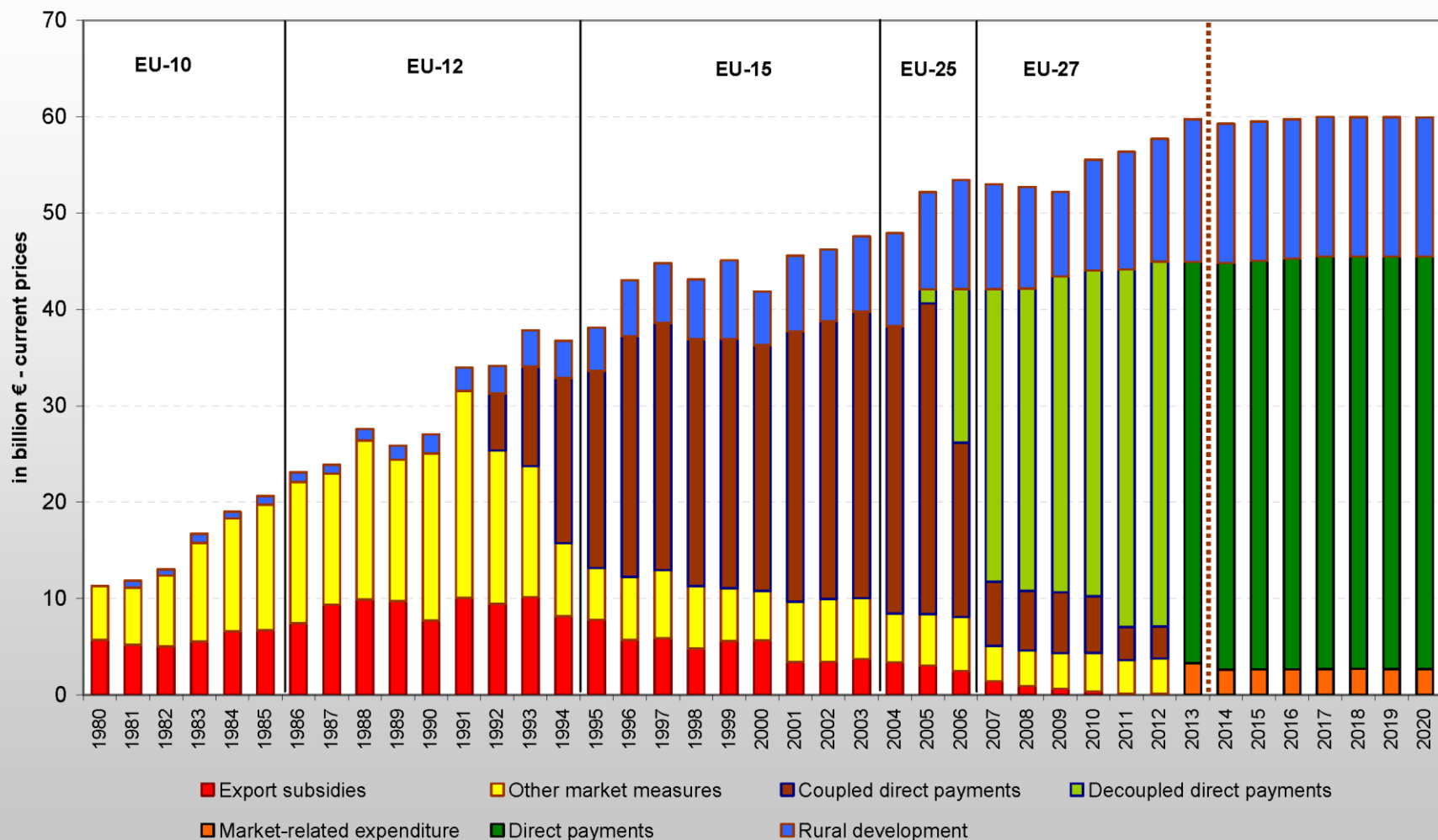


2. The CAP towards 2020 – Legal proposals

Where are we with the CAP reform process?



The path of CAP expenditure 1980-2020 (in current prices)



Source: DG Agriculture and Rural Development

Notes:

2011 = Budget; 2012 = Draft Budget;

2013 = EAGF subceiling for direct payments and market-related expenditure + pillar 2 in commitments.

Rural development for 2013 includes UK voluntary modulation and Article 136 "unspent amounts". As these cease to exist end 2013, the corresponding amounts are put back to direct aids as from 2014.



European Commission
Agriculture and
Rural Development

What are the challenges for agriculture...

Commission Communication 'The CAP towards 2020'

Challenges

Economic

Environmental

Territorial

- **Economic challenges**
 - Food security
 - Price variability
 - Economic crisis
- **Environmental challenges**
 - GHG emissions
 - Soil depletion
 - Water/air quality
 - Habitats and biodiversity
- **Territorial challenges**
 - Vitality of rural areas
 - Diversity of EU agriculture



European Commission
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Rural Development



New design of direct payments (2)

Degressivity and Capping (all layers except Green Payment)

Coupled support

- Wide range of sectors
- Up to 5% or 10% of DP envelope, to be decided by MS

Natural constraint support

- For areas with natural constraints
- Up to 5% of the DP envelope

Young Farmer Scheme

- Up to 2% of DP envelope
- < 40 years
- For 5 years
- Commencing activity

'Green' Payment

- Crop diversification
- Permanent grassland
- Ecological focus area
- 30% of the DP envelope

Basic Payment Scheme

- National or regional flat rate per eligible hectare
- Regions and criteria to be chosen by MS
- New entitlements in 2014
- Definition of agricultural activity
- Definition of active farmer

Small Farmer Scheme

- Simplification of claims and controls
- Lump sum payment to be determined by MS under conditions
- Entrance in 2014
- Up to 10% of the DP envelope

Cross compliance
• Streamlined – Climate change

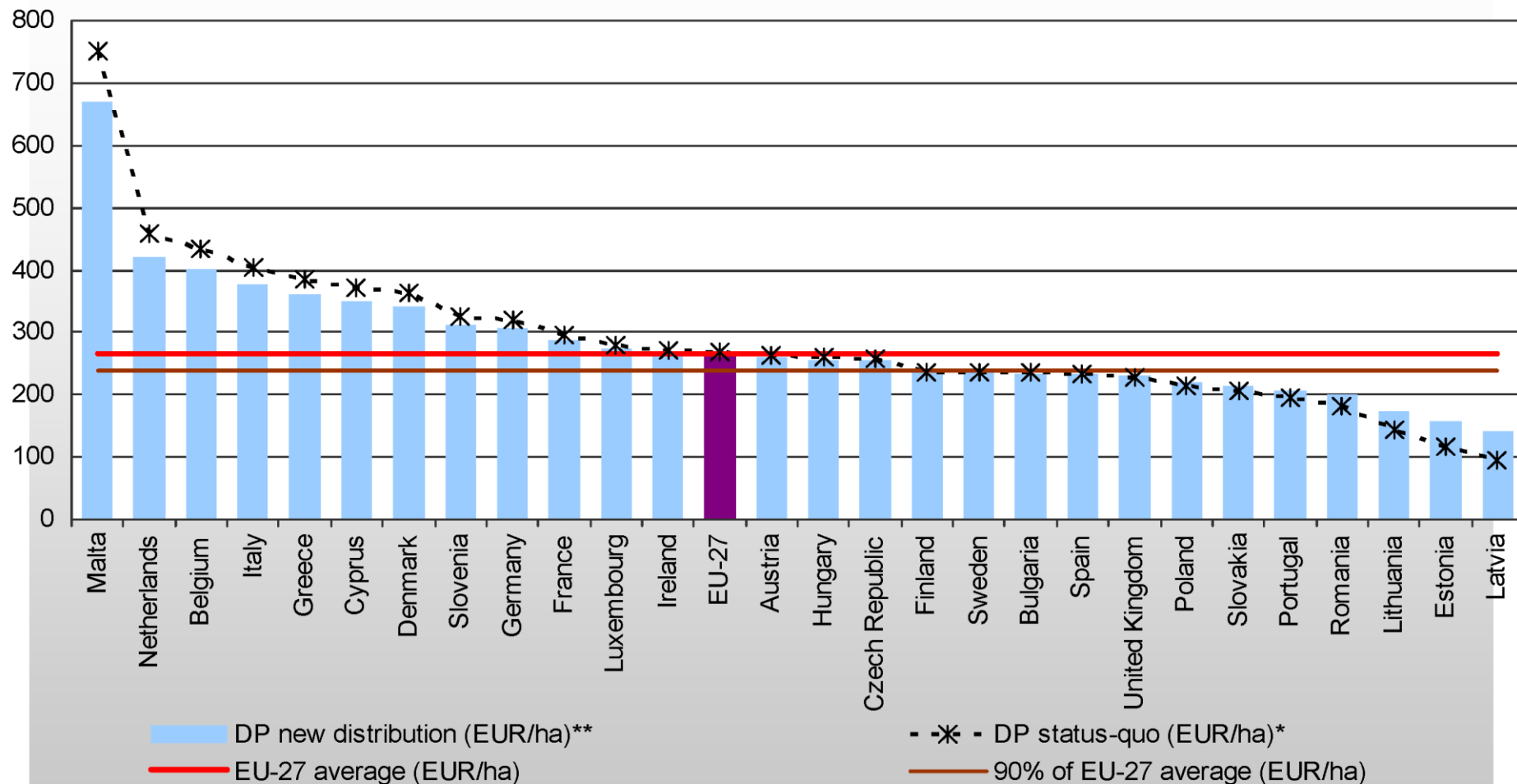
OR



European Commission
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Rural Development

Redistribution of DP - Closing one third of the gap between current level and 90% of EU average by 2020

EUR/ha



* Calculated on the basis of all direct aids on the basis of Council Regulation (EC) No 73/2009, after modulation and phasing-in, except POSEI/SAI and cotton and potentially eligible area 2009

** Calculated on the basis of Annex II to DP proposal for claim year 2019 (budget year 2020) and potentially eligible area (PEA) 2009

Source: European Commission - DG Agriculture and Rural Development



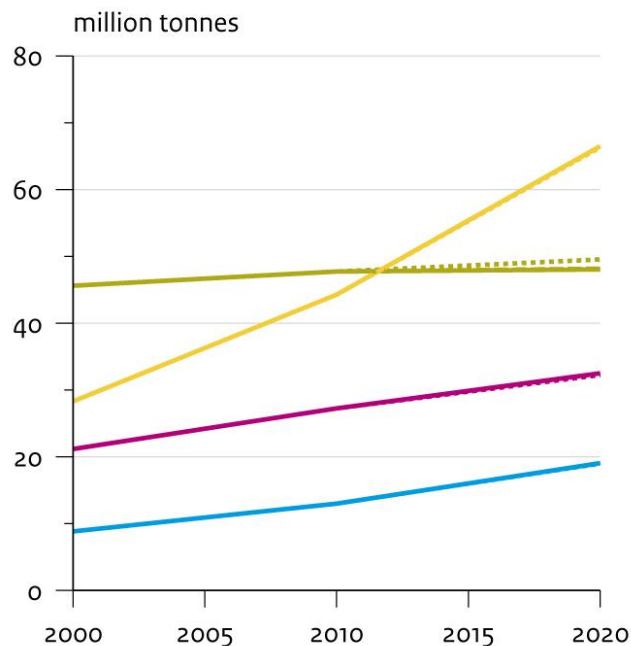
3. Impacts on farm incomes and environment

Note: results presented are general directions, not precise predictions

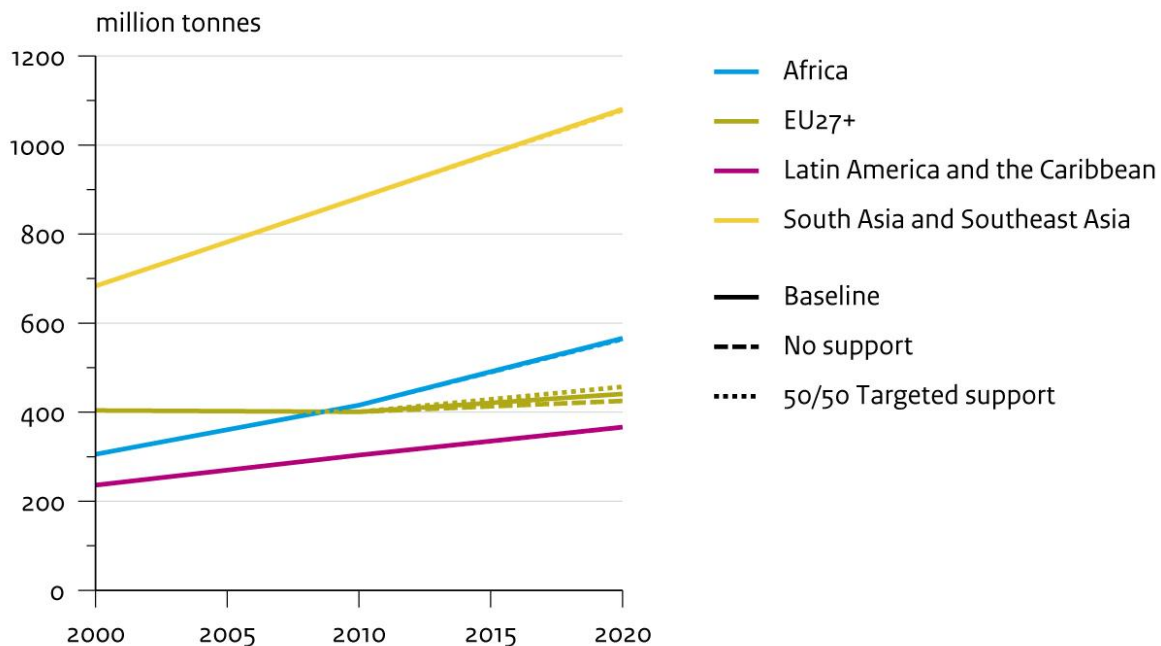
Effects of autonomous growth dwarf those of CAP reform

Projected agricultural production

Animal products



Crops



Source: Helming et al., 2010

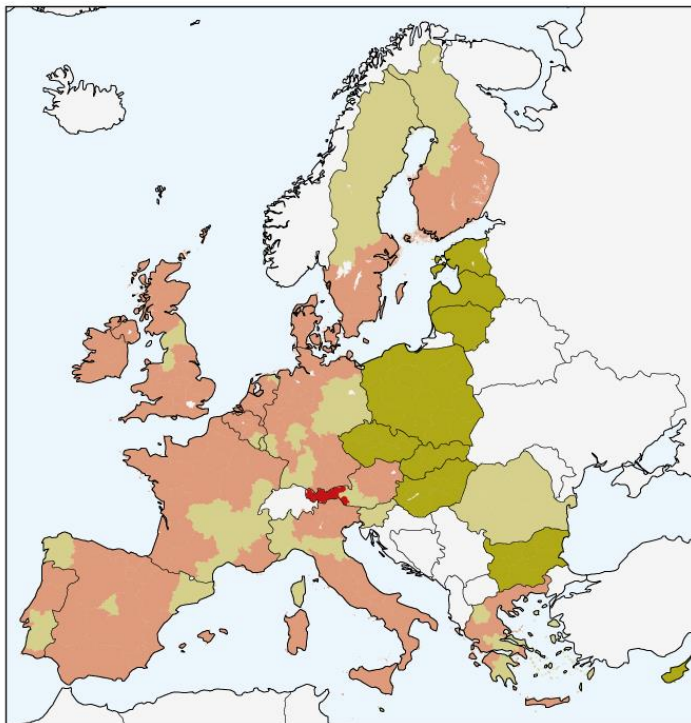
CAP proposal: no decrease in average EU farm income ...

- Production decreases, due to ecological focus areas and (possibly) extensification of grassland use:
 - cereals -4%, grass -2%
- Prices increase
 - cereals +5%, milk +1%
 - uncertain price impact
- On balance no decrease in *average* farm income

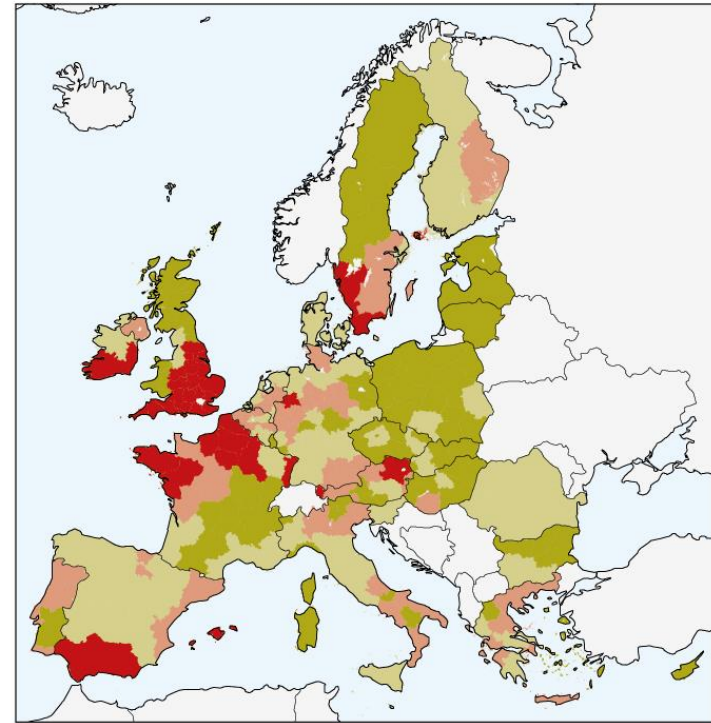
... but, possible income shifts EU15→EU12, int→extensive

Changes agricultural income EU27, 2020

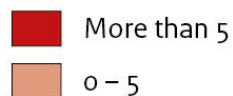
Moderate shift measures



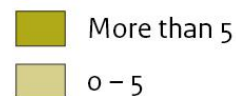
Greening Scenario



Decrease (%)



Increase (%)





Farm income impacts in the Netherlands

- 8% less Pillar 1 support, 30% paid under greening conditions
 - increases pressure on enlargement of farms
 - › abolishment of milk quota system
 - stimulus to seek for multifunctional activities
- Intensive dairy, veal producers and starch potato growers lose most



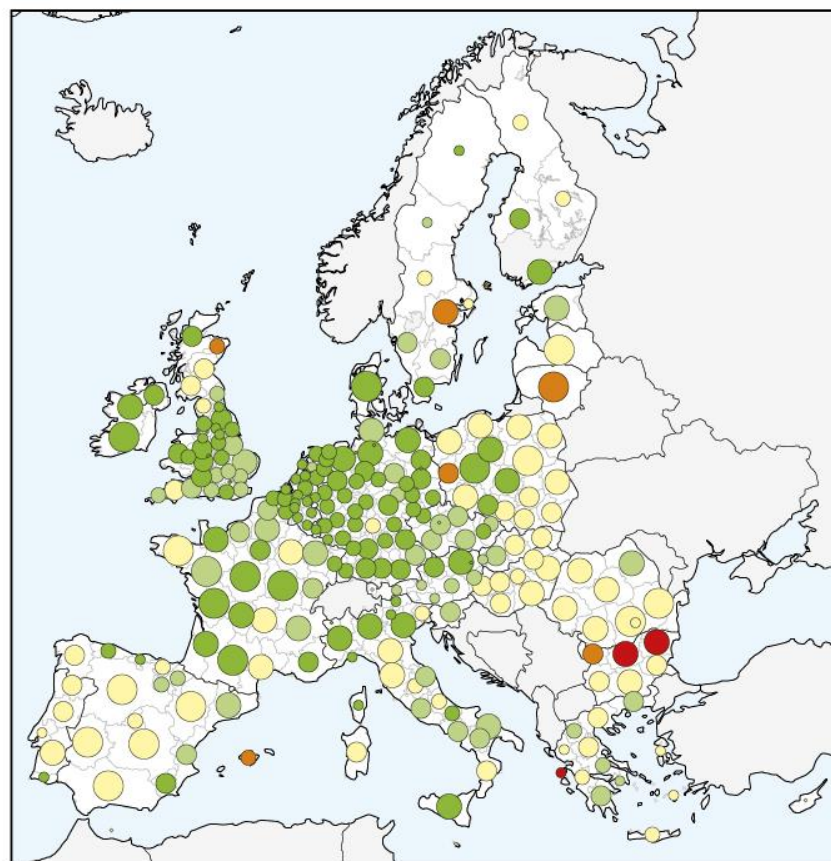
EU environmental impacts

- Substantially reducing the ongoing farmland biodiversity loss, without fully halting the loss
- Emission of greenhouse gases decreases only slightly

Largest biodiversity gain in NW-Europe

Relative species richness on agricultural land, Greening Scenario, 2020

Total agricultural land



Area (km²) in 2005

- 0 – 500
- 500 – 2000
- 2000 – 5000
- 5000 – 10000
- 10000 – 20000
- More than 20000

Change in relative species richness (pp)
compared to Baseline Scenario

- More than 2
- 1 – 2
- -1 – 1
- -1 – -2
- Less than -2



5. Policy options for improvement

Reflection on policy options

- Linking economic and sustainable growth
 - integrating greening conditions in cross-compliance Pillar 1
 - restrict Pillar 2 subsidies to farmers who invest in sustainable practices
- Towards targeted payment of public goods
 - increase effectiveness of greening of the Pillar 1
 - shift Pillar 1 money to rural development (Pillar 2)
- Confidence in local participants
 - regional cooperation to implement greening Pillar 1
 - achieving (locally varying) multiple objectives
 - simplify accounting procedures rural development