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WILL THE CAP LIVE UP TO EXPECTATIONS?

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Will the CAP live up to expectations?



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- Your conference will explore the challenges and priorities for the CAP 2021 - 2027
 - I will stand back and take a 6 decade perspective: 30 years back, 30 years ahead: 1990 - 2050
 - CAP has transformed twice since 1990
 - but requires further transformation to deal with three crises
 - Climate change
 - Biodiversity loss
 - Health & dietplus the chronic problem of poor returns to farming
 - **Unfortunate timing** between 2018 CAP proposals & the 2020 Green Deal strategies - Farm to Fork, Biodiversity

Key CAP transformations since 1990



1. MacSharry 1995: commodity support to compensatory direct payments

- Driven by GATT Uruguay Round Agreement on Agriculture, budgetary pressure, and beginnings of environmental concerns
 - Market intervention & export subsidies down and out
 - Direct arable area payments, beef & sheep headage payments, plus supply management quotas & set aside
 - Payments scaled to productivity – to provide fair compensation. BUT distribution? Future?

Key CAP transformations since 1990



2. Fischler I (2000) & II (MTR 2004) two pillar CAP, drift towards Rural Development (?)

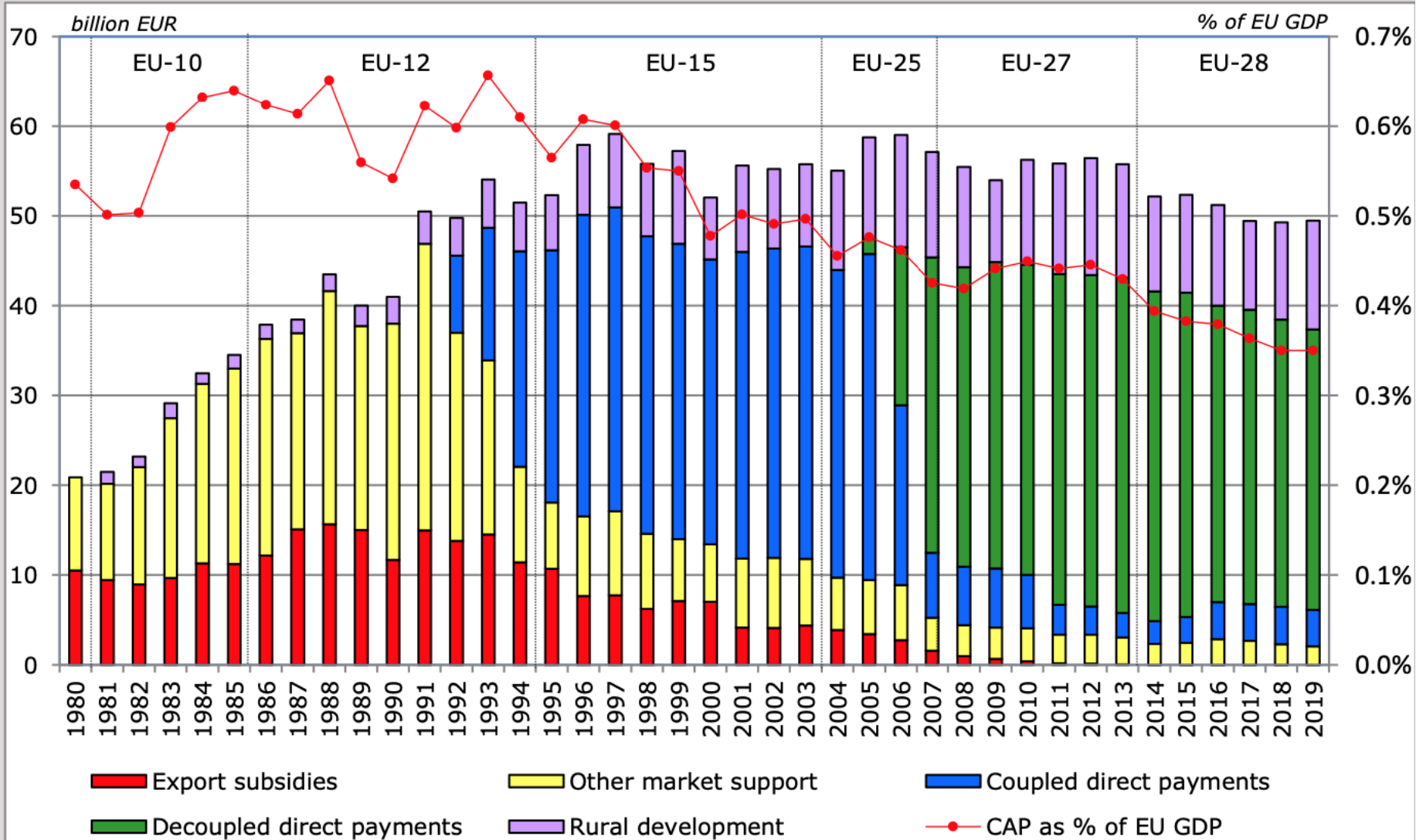
- **Pillar 1:** Single farm payment and conditionality
 - The remains of farm support, consolidated single farm payment not coupled to production.
- **Pillar 2:** Rural development – agri-environment
 - The notions of farm structural adjustment, paying farmers for public goods, rural economic diversification
- Modulation / fund switching from P1 to P2
- How to treat the new Member States?

And the next four Commissioners?



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- Fischer-Boel, Cioloș, Hogan - consolidation of two-pillar CAP
 - little systematic fund switching from Pillar 1 to 2
 - some convergence within & between Member States
 - masking of distinctions between the pillars: greening Pillar 1
 - distraction of debate on active farmers
 - no answer why Pillar 1 is 100% EU funded & Pillar 2 cofinanced
 - Hogan's 2018 proposals inherited by Wojciechowski
 - **New Delivery model**
 - **CAP Strategic Plans for 9 objectives** & Member State responsibility for the details
 - **Eco-scheme** in Pillar 1 replaces greening
 - Two-pillar, two-fund structure fundamentally unchanged
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CAP expenditure and CAP Reform path (2011 constant prices)



Why is further transformation required?



- **Because we are in the midst of three crises + a chronic problem**
 - **Climate – Biodiversity - Diet and health**
 - the economic marginality of much farming
 - Just as energy, mobility & manufacturing have to transform so too does the food system & land use
 - **The CAP is the obvious policy & funding to enable transformation**
 - **What has to be changed?**
 - Consumption and waste
 - Land use allocation
 - Agricultural intensity
 - Economic structures & interactions in the food chain
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The climate challenge must be grasped



- Un-tamed climate change is the biggest threat to agriculture and food security – in EU and world-wide
- For agriculture & land use three broad classes of action by 2050:
 - **Reduce agriculture emissions** (all other sectors eliminate)
 - **Re-allocate agricultural land to:**
 - **Increase forest area** to store carbon
 - **Rewet peatland** to switch peat from source to sink
 - **Increase bioenergy** crops with CCS – as renewable energy
 - **Reduce consumption** (20+%) of C-intensive foods, beef, dairy

and for biodiversity, including in soils



- Some **reallocation of agricultural land**
- **Reduce farming intensity** where it damages nature:
 - Encourage ‘sustainable’ farming systems
 - Restrict, tax or prohibit harmful practices & products
- **Stronger protection of protected areas**
- **Pay land managers** to provide habitat & species management
- **Deploy ‘net gain’** concept to all (urban) development
- Elements of these corrective actions are in the F2F and Biodiversity strategies – but no coherent bringing together of the challenges & the required scale of actions.

With less farm land & lower farming intensity: how will we eat?



- Answer: more healthily & less wastefully
 - Comparing **dietary recommendations vs eating habits**, Europeans consume too much carbohydrates, fats & animal protein (+ XS salt & too little exercise) & too little fruit & vegetables and hence fibre.
 - The result is widespread **non-communicable disease** (Diabetes & CHD), decreasing life expectancy, greater risk of covid-19 mortality
 - **Excessive waste** through the food chain including at home
 - Reduced consumption per head + switch towards more plant based + reduced waste
 - This should offset the reduced agricultural area & intensity without drawing in more imports.
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Pulling these together



- The scale of these challenges has not been grasped
 - The land use changes are not yet clear
 - Little systematic effort to drive the emission reductions
- The most active debate concerns **intensity**. Two perspectives
 - A. De-intensification:** less mineral fertiliser, pesticides & antibiotics, switch to organic /agroecology/regenerative farming. The Green Deal, F2F approach
 - B. Sustainable intensification:** precision farming; new technologies, digitisation, robotics, vertical farming, gene editing. Farmers' approach
- Are these always in opposition? NO. Different sectors & sub-sectors may move in different ways. Diversity of farming systems is vital.
- If policy is to de-intensify the **implications for food prices & welfare** must be explained

Do we have the right policies?



- **Consumption and waste**

- This is not the job for CAP
- **Targets:** food processors, food retail & service & consumers
- **Measures:** education, information, labelling, public procurement, regulation of food industry, taxes?

- **Land use change and farming intensity**

- Major role for the CAP – but not basic payments
- Incentivising sustainable practices, emission reduction, restoring natural capital, provision of environmental services, improving marketing & quality
- But other non-CAP policies too?
 - Pollution taxes? C? N? Pesticides?
 - Funding land use change via C offsetting schemes, biodiversity banking
 - Inducements via sustainable sourcing by supermarkets, banks

How to change the CAP to match these challenges?



- **The two-pillar, two-fund structure is past its usefulness**
 - The purposes & logic of the pillars is no longer evident, nor why the EU funding contribution differs between pillars.
 - The compensatory basic payments & their distribution has no remaining justification – not related to income.
 - The supports must have a clearer basis in market failures – paying for public goods & dealing with market imperfection.
- **The policy formulation and decision processes** do not reflect the broad societal interest in food production, health and environment. They must widen.

Conclusions



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- The food system & rural land use in EU is **not sustainable**
 - The transition path requires **coordinated action on food consumption AND production**
 - **Agricultural Land must be reallocated** towards non-food goals, C storage & biodiversity
 - **Land use intensity** must change: some increased intensity for precision, some de-intensification towards agroecology
 - **We do not have good analysis of this mix of challenges and impacts of changes in land allocated to agriculture and agricultural intensity**
 - The **food price & trade aspects** of internalising externalities require special attention.
 - The present CAP does not grasp the challenge convincingly. We have until 2027 to decide how this policy must really change to help farmers adapt.

To answer the question posed in my title



- **Will the CAP live up to expectations?**
 - **Old hacks like me say** yes it will, our expectations are low!
 - **CAP critics say** no, the CAP is wasteful & ineffective, its structures & decision making are too narrow.
 - **CAP beneficiaries, farmers:** show relief at little change, yet no deep love for this policy
- I've shown the CAP **can** be substantially reformed. It was in the ten years 1995 – 2005, we must do what we can with the present reform to prepare the way for the challenges of the next 30 years.

If you have been,
thanks for listening

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