HOW THE CAP WORKS FOR YOU

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EU agricultural policy incoherent and outdated – report

By Samuel White

The Common Agricultural Policy has done a good job of ensuring farm income and food security but it is incoherent, inefficient and outdated, and must be radically overhauled to ensure good value for money in the future, an independent report has found.

The European Commission will publish its much-awaited assessment of the CAP on Wednesday (29 November). This is expected to contain comprehensive recommendations for the future of farm support and rural development, as the EU executive’s thoughts turn to the post-2020 budget.

Given the sheer scale of the Common Agricultural Policy (CAP), which accounts for close to 40% of EU spending, it is hardly surprising that it should attract scrutiny and criticism. Picking the policy apart to assess exactly what benefits it brings and whether it offers good value for money is a big challenge for taxpayers, recipients of funding and even the EU institutions themselves.

The European Commission will publish its much-awaited assessment of the CAP on Wednesday (29 November). This is expected to contain comprehensive recommendations for the future of farm support and rural development, as the EU executive’s thoughts turn to the post-2020 budget.

Ahead of the Commission’s assessment, the NGOs Birdlife Europe and the European Environmental Bureau, along with the European Parliament’s Greens/EFA and Socialists & Democrats groups commissioned their own fitness check of the CAP, entitled ‘Is the CAP fit for purpose? An evidence-based fitness-check assessment’. While they recognised that the policy had achieved good results in eradicating poverty among EU farmers and hunger among EU citizens, the authors questioned the relevance of these goals in today’s context.

The Common Agricultural Policy (CAP) is the EU’s largest single budget item, absorbing around 38% of all EU spending in the current seven-year budget (2014-2020), or roughly €408bn.

Most CAP funding (more than three-quarters) is delivered to farmers

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in the form of direct payments, known as the CAP’s first pillar. This land-based payment scheme aims to support farms’ income based on the size of their operation and the environmental measures they take. It also contains support packages for young farmers and measures to ensure animal welfare and the sustainable use of inputs.

The remaining €99bn is earmarked for rural development programmes: the CAP’s second pillar. These programmes aim to use agriculture as a lever to bring broader societal benefits to the bloc’s deprived rural areas and are drawn up by national or regional authorities in the EU’s member states.

Socio-Economic Impacts

The CAP has been adapted to changing market and environmental conditions over the years, but its critics argue that its fundamental objectives are no longer relevant and its structure too complex and contradictory.

First to be questioned by the report were the socio-economic benefits of the CAP’s focus on productivity.

“Enhancing agricultural productivity relates to post-war Europe and can be considered as already fulfilled and largely outdated within the EU,” the report states. “Public demand for quality instead of cheap food is not reflected.”

While the report praised the CAP for supporting farm incomes, it strongly criticised the broader socio-economic impacts of the policy and its lack of internal and external coherence. “Conflicting objectives and conflicting instruments weaken policy design and implementation,” it said, assigning the blame in part to overly flexible national interpretations of the CAP’s objectives.

And while the high-production, export-driven nature of the CAP is praised as having increased trade with many high and middle-income countries, this has often come at the expense of preferential trade for the least developed countries, undermining the bloc’s development goals.

Skewed Farm Support

Although supporting farm incomes on the one hand, direct payments “create dependencies on subsidies, influence some production decisions and reduce farm efficiency” on the other, the report said. And the land-based nature of direct payments means small farmers receive only limited support, while bigger businesses and landowners receive bigger subsidies.

The report found that direct payments had helped slow the concentration of land by big farming businesses by keeping smaller farmers afloat, but that it is “insufficiently targeted to lower income farm households”.

“We see that 32% of subsidies go to 1.5% of farm businesses,” said Bart Staes, a Belgian Green MEP and member of the European Parliament’s agriculture committee. “So we can only conclude that small farmers are missing out.”

“The CAP should turn its attention to small and medium-sized farm businesses because they are better for the local economy,” he added.

These payments also have the knock-on effect of inflating land prices and rents and enriching land owners that are not necessarily farmers.

Poor Environmental Performance

The report also criticised the CAP’s environmental coherence. It found that direct payments encourage intensive methods that often cancel out the benefits of the environmental, or ‘greening’ measures it also tries to encourage.

Greening measures include paying farmers to practice crop rotation and designate ecological focus areas (EFAs) to support biodiversity on their land.

But beyond the tension between the CAP’s objectives, complex administrative requirements also undermine the policy’s efficiency. The paperwork associated with accessing EU funding pushes farmers to make easier, less effective environmental choices, according to the report, “with the highest uptake of EFA options that offer no return (i.e. no environmental improvement) for the greening investment”. In this regard the authors suggested that “regulation is generally more efficient than subsidies” in ensuring minimum ecological requirements are adhered to.

For the NGOs and lawmakers behind the fitness check, the EU must thoroughly rethink its approach to agricultural policy, ensuring the focus is on guaranteeing an efficient, coherent policy that gives farmers and the environment the support they need and delivers good value for money.
Greek farmers highlight the need for advisory in agriculture

By Sarantis Michalopoulos

Greece needs new and functional structures and enhanced farm advisory services in order to give smart farming a boost, an agricultural expert told EURACTIV.com.

Ioannis Koufoudakis, CEO at GAIA Epicheirein, stressed that southern member states had common challenges to tackle, mainly the small and fragmented agricultural holdings.

A member of EU farmers’ union Copa-Cogeca, GAIA Epicheirein is a newly established organisation of farmers and agri-cooperatives in Greece, representing 150,000 farmers.

Referring to a possible reduction in the CAP’s first pillar, the direct payments, Koufoudakis noted it should be avoided, as well as any sudden shift towards a radically new CAP model.

“Because that is how the agricultural reality of the south has been structured for so many years and we cannot have radical changes because they will cause aversion for the new CAP,” he said.

A way to address the structural problems of the south is to boost smart farming. “We believe that new technologies should enter the field so that even small crops will be profitable.”

“In GAIA, we have tangible proof of the positive impact of smart farming on both productivity and sustainability through the first results of the large-scale pilot project we put in place with the help of our partner from the IT sector. The benefit increase from reduced inputs and improved yields varies between 18% – 36% depending on the crop type,” he emphasised.

Koufoudakis explained that the EU satellites and the funds are in place but the market and the farmers should also be encouraged and incentivised to absorb them and accompanied during the whole process by strong farm advisory systems.

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“There is a need for new and functional structures in Greece. Farm advisory services have not worked out in our country even though they’re key in ensuring our necessary transition to a more competitive and sustainable agricultural model,” he noted.

Markos Leggas is a young farmer and president of Pegasus Cooperative, specialising in grapes. The grapes are produced in the Corinthia region and exported to supermarkets in the UK through a producer organisation.

“With the CAP, I and other producers have been able to secure the appropriate infrastructure that helped us reach new markets,” Leggas told EURACTIV.

As far as the post-2020 CAP is concerned, Leggas explained that it should cut the red tape, ensure farmers when there is market instability and provide access to new technologies to be applied to his parcels.

**COOPERATIVES**

Leonidas Gidaris, a physicist who cultivates cotton, talked about the need for a general change of the mindset.

Referring to cooperatives, he noted that the mistakes made in the past have “penalised” their existence.

“In our minds, and especially in smaller rural areas, it has prevailed the idea that some farmers will get more gains and others will basically lose if they participate in a cooperative,” he said, claiming that this might not be true, but serious shortcomings have been identified in the past.

The young farmer also focused on the continued change of agricultural or tax policies in the country, stating that this acts as a disincentive for farmers to organise in cooperatives as it becomes impossible to forecast the expected profit.

The Greek farmer also noted that the transition from the old generations of farmers to the young ones faces a number of difficulties.

He explained that for those who inherited land from their parents or grandparents the situation is easier. But for the newcomers, it proved to be difficult especially with the payments system.

“A significant number of the young who were granted land for the first time and got funding for that gave up as they were not provided with the proper knowledge [...] they were not informed about the bureaucracy they would face,” he added.
The European Commission has presented its long-awaited vision for the future of the Common Agricultural Policy after 2020. But agricultural experts fear the communication, which proposes a radical overhaul of the policy’s delivery, rather than its substance, will weaken environmental protection and create unfair competition between farmers.

Presented on Wednesday (29 November), the Commission’s “simpler rules and more flexible approach” to the CAP will hand member states greater freedom to decide how to invest EU funding in order to support their farmers while protecting the environment. It will, the EU executive says, future-proof the bloc’s biggest and oldest common policy.

But the analysts at think tank Farm Europe disagree. They see the proposed reform as an attempt by Brussels to “shirk” its responsibility and say the only people whose lives the reform would simplify are the EU civil servants who administer it. Farmers and member states will still have to present complex proposals in order to access CAP funds.

EU member states and farmers often complain about the complexity of the CAP, which many say puts an unacceptable bureaucratic burden on farmers who have neither the time nor the expertise to deal with the large amounts of paperwork required.

“This communication is the
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Commission saying ‘You keep telling us the CAP is too complicated, so administer it yourselves’,” said Luc Vernet, senior advisor at Farm Europe.

“It focusses on institutional simplification, not for the farming sector.”

TOPPLING THE FIRST PILLAR?

The CAP is worth around €408bn for the 2014-2020 budget period. This sum is divided between two ‘pillars’ that focus on different methods of support for agriculture.

The first pillar provides income support in the form of direct payments to farmers, as well as ‘greening’ payments, disbursed in return for environmentally responsible farming practices such as crop rotation and the designation of ecological focus areas (EFAs) to protect biodiversity.

Crucially, the requirements for these payments are set at EU level and are applied with one methodology to all farmers in all EU countries; a truly common policy.

The second pillar is designed to foster rural development by allowing member states to identify their own needs and set their own objectives, which are signed off by the Commission.

For Farm Europe, the reform now on the table amounts to the transformation of the first pillar into an extension of the second; pushing subsidiarity to its limit and effectively abandoning the ‘Common’ in Common Agricultural Policy.

Agriculture Commissioner Phil Hogan refuted this assessment as “absolutely untrue”, saying that “on the contrary, the reform will increase the accountability of national governments for performance and results, while the policy will remain an EU-level common agricultural policy”.

POLITICAL TROUBLE AHEAD

Yet just how much control the Commission will have over the implementation of the national programmes remains to be seen.

In theory, Brussels currently has the final say on countries’ rural development programmes (CAP second pillar) and scrutinises each one to ensure compliance. In reality, things rarely run so smoothly. According to the European Court of Auditors, member states tend to produce such hefty documents – often running to well over 1,000 pages – that the approval process almost always overruns.

Political pressure on the civil servants responsible for approving programmes then mounts as implementation is delayed, eventually forcing them to give the green light to programmes that are a less than perfect match for the EU’s rural development objectives.

This is the destiny of first pillar payments too, Farm Europe’s experts warned, if the EU executive goes ahead with this communication. “Officials will not have the political strength to resist pressure to approve programmes,” said Vernet.

HOW THE NEW CAP WOULD WORK FOR YOU: ECONOMIC AND ENVIRONMENTAL IMPLICATIONS

A recent report commissioned by a group of environmental NGOs and the European Parliament’s Greens and Socialists and Democrats groups concluded that the CAP’s direct payments to farmers had been successful in supporting farm income and European food security.

Since the policy was implemented, there has been no shortage of food in the bloc and although farmers’ incomes are just 40% of the EU average, real poverty in the sector is a thing of the past.

The same report highlighted the tension between these direct payments, which it said encourage intensive practices, and greening payments, which farmers receive for the environmental measures they take.

Hogan insisted that the proposed reform signified a step up in the EU’s efforts to tackle the climate impact of agriculture and meet its greenhouse gas emissions reduction targets. But he also said it was “the end of greening”. In future, member states will decide how to replace it.

For agronomist Yves Madre, this is not a good way to ensure coherence and value for money. “National targets are a big problem,” said Madre. “Targets must be applied equally to every farm, otherwise some can sacrifice environment for competitiveness.”

“What if countries end up spending money to counteract the effects of spending in another country?” he added.

Joao Pacheco, a Farm Europe advisor and former deputy director-general in the European Commission’s agriculture directorate (DG AGRI), agrees. He fears that rather than resolving the tension between income support and environmental measures at farm level, the new system would shift the tension to national or regional level and risk amplifying it.

Leaving EU countries to design their own direct payments and environmental schemes will “inevitably” lead to a “beggar-thy-neighbour policy”, Pacheco added, as designers of future schemes would seek to undermine the level playing field of the single market to gain a competitive advantage for their chosen agricultural sectors.
Parliament cautiously welcomes post-2020 CAP vision

By Samuel White

The Commission’s communication on the future of the Common Agricultural Policy, which aims to give EU member states greater freedom in meeting the bloc’s common goals, received a broadly optimistic response in the European Parliament on Wednesday (29 November), although concerns remain over how it will be implemented.

For the post-2020 CAP, the main innovation is a shift away from a unified set of requirements decided in Brussels and implemented across all EU farms to a system allowing EU countries and regions to fulfil EU goals with their own tailor-made policies.

But the communication gave no details of how much money would be available, or if the budget would be affected by the UK’s withdrawal from the EU.

Agriculture Commissioner Phil Hogan described the communication, which focuses on the delivery method rather than the fundamental goals of the CAP, as an “evolution, not a revolution”. The communication outlines the EU executive’s vision and will be followed by a legislative proposal on reform in mid-2018.

While this was harshly criticised from some quarters as an attempt by the EU executive to renationalise the CAP and wash its hands of responsibility for the EU’s biggest common policy, the response from the European Parliament was more nuanced.

The communication was unveiled to journalists by Commissioner Hogan and Commission Vice-President for Jobs and Growth Jyrki Katainen on Wednesday afternoon, before being presented to the European Parliament’s agriculture committee later in the day.

A GOOD STARTING POINT

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Marijana Petir, a Croatian centre-right MEP (EPP group) and member of the agriculture committee, welcomed the communication as “a good starting point for further discussion”. She said the communication addressed most of the important topics that preoccupied members of the Parliament’s Committee on Agriculture and Rural Development. Namely “the need for the simplification of the CAP and the need for the reduction of the administrative burden”.

Belgian Socialist MEP Marc Tarabella (S&D group) told EURACTIV he was pleased the Commission had accepted the fact that the CAP is too complicated. He said it “makes sense” that countries and regions should be allowed to adapt it to their own needs. “As long as this stops short of renationalisation,” he said.

This view was broadly shared by Petir’s EPP colleague Michel Dantin, who said the announcement “goes in the right direction”, with a focus on increasing investment and innovation in the agricultural sector while maintaining income support for farmers.

**FACING LOCAL CHALLENGES**

The Commission hopes that the new delivery method will help address local challenges like rural connectivity and generational renewal in farming, two issues that have a huge impact on broader rural communities.

Belgian Socialist MEP Marc Tarabella (S&D group) told EURACTIV he was hopeful that increased freedom for countries and regions would allow farmers to tackle these issues in a coherent way. “Even close to Brussels, some villages have no internet access and very poor mobile phone coverage,” he said. This limits residents’ work options and makes the area unattractive to young people, who go elsewhere to seek opportunities.

At a time when the agricultural sector is struggling to attract young talent, with just 5-6% of farmers aged under 35, this is a matter of survival for some rural communities.

**SUBSIDIARITY WITHOUT RENATIONALISATION**

Much of the criticism of the current CAP’s complexity is centred on the so-called ‘greening’ requirements – environmental measures decided by the Commission, which farmers in all countries have to implement in return for EU funding. Not only were its environmental benefits questionable, but this one-size-fits-all policy fails to take into account local conditions, Hogan said.

“We can’t pretend that agriculture in Greece is the same as in Finland.”

Under the new vision, EU countries will write their own programmes to respond to their own unique environmental challenges and priorities, while following the basic policy parameters set at EU level. “The ‘Common’ part of the CAP will be maintained,” Hogan stressed.

“This is a bold step towards greater subsidiarity,” the Commissioner added, while strongly rejecting any suggestion that this amounted to a renationalisation of the CAP.

Both Petir and Dantin welcomed the promise of greater flexibility but said more detail was needed on how this would be achieved.

“I will personally commit to ensuring this new system does not lead to a renationalisation of agricultural policy,” said Dantin.

But the Parliament’s Greens were less than impressed with the communication. British Green MEP Molly Scott-Cato described it as a disappointing “business-as-usual approach” that fails to redistribute wealth adequately to small family farmers and subsidises intensive and environmentally damaging practices at the taxpayer’s expense.

“No member state can hope to meet the social, environmental and economic challenges facing farming alone,” she said. “It is therefore discouraging to see the Commission put little effort into securing a genuinely common approach.”

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EU farmers have joined the debate on the future of the Common Agricultural Policy by stressing the need to simplify common rules. But they have vigorously rejected any attempt to renationalise the bloc’s biggest common policy.

The vision that the European Commission presented on 29 November for the Common Agricultural Policy (CAP) after 2020 promised to boost the sector’s resilience to crises, support farm income, accommodate digital innovations, reduce red tape and promote generational renewal.

While leaving the existing structure and objectives of the policy in place, the EU executive proposed a new delivery method to give member states greater freedom to adapt farm support to their own requirements and, it hopes, strengthen the delivery of key environmental objectives.

The CAP is divided into two pillars. The first, worth about €308 billion for the current 2014-2020 budget period, funds income-supporting direct payments to farmers, as well as environmental ‘greening’ measures and market measures to help manage crises. The requirements for all these schemes are set centrally in Brussels and apply across all EU countries and agricultural sectors.

The second pillar, worth €99 billion, concerns rural development, and counties and regions are free to draw up their own rural development plans based on their own particular challenges and needs. These plans are then assessed by the Commission to ensure they comply with the broader objectives of the CAP before funding is released.

By recreating the second pillar’s decentralised delivery mechanism for the first pillar, the Commission claims it will cut down on inefficiency while Continued on Page 13
ensuring the EU's common goals are met by targeting spending in the most effective way at national and regional level.

SIMPLIFICATION BUT NO RENATIONALISATION

Joachim Rukwied, the president of EU farmers organisation Copa, welcomed the attempt to simplify the policy, saying common and simple rules were vital. However, Copa stressed that “guarantees are needed to ensure that simplification will deliver results for farmers”.

This echoes the concerns of think tank Farm Europe, which last week slammed the Commission’s communication, saying it would simplify life only for the EU executive itself but leave farmers and governments with mountains of paperwork.

Rukwied added that it was “good news that the Commission proposed keeping both pillars in the CAP in its plan”, and that direct payments should continue to support farmers’ incomes.

But Copa again echoed widely held concerns over the increased freedom handed to member states to allocate their first pillar payments. For the EU farmers union, the CAP must truly remain “a common policy without any renationalisation”, otherwise it risks generating unfair competition between sectors and countries.

Besides the damaging effect this would have on the single market, spending could also become less efficient as payments in one country could be used to cancel out the effects of spending in another.

REVAMPED OBJECTIVES “STILL RELEVANT”

In a policy paper published in November, Copa-Cogeca, the union representing European farmers and agri-cooperatives, said that the CAP’s objectives “as established in the [EU treaty] remain equally relevant today”.

This view was not shared by the European Parliament’s Greens and Socialists & Democrats groups. Their conclusion, based on a recent fitness check of the policy commissioned in partnership with environmental NGOs BirdLife Europe, the European Environmental Bureau and NABU, was that the CAP was “incoherent, inefficient and outdated”.

While it hailed the eradication of hunger in Europe and poverty among farmers as a success, the fitness check was clear that the change to the post-2020 CAP should run deeper than the delivery mechanism.

LINKING SMART FARMING AND GENERATIONAL RENEWAL

Although the fundamental objectives remain the same, the Commission hopes to encourage a greater focus on the adoption of technology in agriculture as a cornerstone of rural development. And the farmers tend to agree.

Not only will smart farming help boost farm income by cutting costs and increasing the efficiency of expensive inputs, Copa-Cogeca said, but it can also promote generational renewal on Europe’s farms and help rural communities to thrive in other ways.

Bringing high-speed internet infrastructure to rural areas is essential groundwork for the roll-out of smart farming in the EU. On top of the benefits it could bring for farmers, increased connectivity can help provide work opportunities for young people in rural areas, allowing them to compete for talent with the big cities.

For Jannes Maes, the head of the European Council of Young Farmers, this is essential if Europe wants to encourage more young people to get into farming.

“Generational renewal must become a priority in the new policy framework,” he said. Currently, only around 6% of EU farmers are aged under 35.