Agri-environmental policy in the European Union and future perspectives

ENPARD seminar on agricultural policy and practices to promote sustainable agricultural production

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Conception and consistency of rural development
Agriculture in the EU

FARMING IN THE EU

22 MILLION
People employed in agriculture

11 MILLION
Farms

175 MILLION
Hectares of farmland
Importance of agriculture in the EU

- 40% of the EU land serves societal demands for food production, pollination and energy.

Source: DG Agriculture and Rural Development
http://ec.europa.eu/agriculture/cap-indicators/context/78171-11-1_en.gif
Why a Common Agricultural Policy (CAP)?

• Increase agricultural productivity

• Ensure a fair standard of living for the agricultural community

• Stabilise markets

• Assure the availability of supplies

• Ensure that supplies reach consumers at reasonable prices
Historical development of the CAP

- **The Early Years (60s)**
  - Price support
  - Productivity improvement
  - Market stabilisation

- **The Crisis Years (70s/80s)**
  - Over production
  - Exploding expenditure
  - International frictions
  - Supply controls

- **THE 1992 REFORM**
  - Price cuts and compensatory payments
  - Surplus reduction
  - Income and budget stabilisation

- **Agenda 2000**
  - Deepening the reform process
  - Rural development

- **CAP REFORM 2003**
  - Market orientation
  - Decoupling
  - Cross compliance
  - Consumer concerns
  - Environment
  - Enlargement

- **CAP Health Check 2008**
  - Reinforcing 2003 Reform
  - Dairy quotas

- **CAP REFORM Post-2013**
  - Greening
  - Targeting
  - Redistribution
  - End of production constraints
  - Food chain
  - Research & Innovation

- **Food security**

- **Competitiveness**

- **Sustainability Cohesion**

- **Policy Efficiency**
Reforms driving factors

- Costs of the policy (70% of the EU budget in 80s' and 38% now)
- Problem with surpluses (mountains of food)
- WTO compatibility (green box)
- Changing legal architecture: introduction of environmental policy to the EU treaties; obligation to include environmental concerns in all EU policies
- Adaptation to new challenges: often environmental but not only (enlargement)
- New tasks for the policy / justifying a continuation of income support: from economy to the environment
- Common denominator: need not to affect farmers' income.
What are the challenges for agriculture?

**Economic challenges**
- Food security
- Price/income volatility
- Competitiveness

**Environmental challenges**
- GHG emissions
- Soil depletion
- Water/air quality
- Habitats and biodiversity

**Territorial challenges**
- Vitality of rural areas
- Diversity of EU agriculture
Environmental challenges (1)

Birds indicator

Ammonia emissions

GHG emissions
Environmental challenges (2)

Water use by sector

- Water collection, treatment, supply: 51.4%
- Service industries: 23.7%
- Mining, manufacturing, construction: 9.1%
- Energy: 2.7%
- Agriculture: 13.1%

Water abstraction

Source: European Environment Agency
How did the CAP reform process proceed?

April – June 2010: Public debate (EU citizens and organisations)

November 2010: Commission Communication « The CAP towards 2020 »

October 2011: Commission legal proposals on the CAP

June 2013: Political Agreement on the CAP reform between European Parliament, Council and Commission

2013: Finalisation of the legislative phase

2014: Approval of Delegated and Implementing Acts

2015: First year of implementation of the new CAP
General and specific objectives of CAP

Europe 2020

**Smart, sustainable** and inclusive growth

- Viable food production
- Sustainable management of natural resources and climate action
- Balanced territorial development

CAP specific objectives

- Enhance farm income
- Improve agricultural competitiveness
- Provide environmental public goods
- Pursue climate change mitigation and adaptation
- Maintain agricultural diversity across the EU
- Promote socioeconomic development of rural areas
- Foster innovation

Pillar I specific objectives

- Maintain market stability
- Meet consumer expectations

Pillar II specific objectives

*CSF: Common Strategic Framework including the EFRD, ESF, CF, EAFRD and EMFF*
Environmental objectives in the CAP architecture: mandatory vs. voluntary approach

- Environmental legislation (including scope of cross compliance)
- Green direct payments
- Rural development (environmental measures)

- Agricultural research
- European innovation partnership
- Farm Advisory System

- Voluntary (the CAP) with financial support (compensation of costs incurred and income foregone)
- 'Compulsory' (the CAP) with financial support
- Compulsory (the law) without financial support

Area (basis for CAP support)
Cross-compliance

Objectives:

• To contribute to the development of sustainable agriculture through better awareness on the part of beneficiaries of the need to respect (...) basic standards.

• To contribute to make the CAP more compatible with the expectation of society through improving consistency of that policy with the environment, public health, animal health, plant health and animal welfare policies.
Direct payments:
- Basic payment
- Green payment
- ANC payments
- Young farmers payment
- Voluntary coupled payments

Rural development:
- AECM
- Organic farming payments
- Forestry measures
- ANC payments
- Natura 2000 payments
- WFD payments
- Animal welfare payments
- Afforestation payments

Vine:
- Restructuration
- Green harvest

Rules:
- Statutory Management requirements (13 SMR)
- Birds and Habitat Directives
- Nitrates Directive
- Animal identification & registration
- Pesticides Regulation
- Ban of hormones Directive
- Food law
- Animal disease notification
- Animal welfare Directives

Standards for Good Agricultural and Environmental Condition of land (7 GAEC standards)
- Buffer strips along water courses
- Autorisation for use of water for irrigation
- Protection of groundwater
- Minimal soil cover
- Minimum land management to limit erosion
- Maintenance of soil organic matter
- Maintenance of landscape features
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- **Agricultural research**
- **European innovation partnership**
- **Farm Advisory System**

**Rural development** (environmental measures)

- **Green direct payments**

**Environmental legislation** (including scope of cross compliance)

**Area (basis for CAP support)**

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Green direct payment

- Maintaining **permanent grassland**
  - ban on ploughing in designated areas
  - national/regional ratio with 5% flexibility

- **Crop diversification**
  - at least 2 crops when the arable land of a holding exceeds 10 hectares
  - at least 3 crops when the arable land of a holding exceeds 30 hectares
  - the main crop may cover at most 75% of arable land, and the two main crops a maximum of 95% of the arable area

- Maintaining an **ecological focus area** of at least 5% of the arable area of the holding
  - only applicable for farms with more than 15 hectares arable land
  - EFAs may include: field margins, buffer strips, fallow land, landscape features, afforested area, terraces, areas with catch crops, green cover and nitrogen fixing crops, short rotation coppices, agro-forestry, strips of land along forest edges
Greening 2013 – rationale and objectives

• The active management of natural resources by farming as an important tool to maintain landscape, biodiversity and address climate change – this is an essential basis for long term economic viability and dynamic territories" – rationale for greening

• To enhance the environmental performance of the CAP through direct payments for practices beneficial for the environment and climate change

• To ensure efficient use of taxpayer resources and providing public goods for EU citizens not remunerated by markets (public legitimacy for direct support).
Greening 2013 – rationale and objectives

- Establishing a more even, uniform approach to basic environmental management throughout the EU which ensures broad territorial coverage

- To fill the gap between cross-compliance (large coverage but not ambitious) and agri-environment measures (ambitious but low coverage)

- Growing environmental challenges

- Lack of perspectives for a financial strengthening of pillar II.
Difficulties and oppositions

• For administration: complexity including in control, interplay with other instruments (rural development), "one size fits all" measures as too rigid; incompatible with food security objectives

• For farmers: additional burden with no extra money, impact on production and productivity and farmers ability to react to markets changes; need to increase production on remaining land

• For environmental actors: not sufficiently ambitious with not much potential to deliver compared to existing tools

• For economists: greening as inefficient tool of securing the provision of environmental public goods.
Environmental objectives in the CAP architecture: mandatory vs. voluntary approach

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- (including scope of cross compliance)

**Green direct payments**

**Rural development** (environmental measures)

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**Area (basis for CAP support)**

Agricultural research
- European innovation partnership
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Added environmental benefit
Rural Development of the CAP

Focus areas

Cross-cutting objectives

1. Knowledge transfer and Innovation
   - (a) innovation, cooperation, and the development of the knowledge base;
   - (b) links between agriculture, food production and forestry and research and innovation;
   - (c) lifelong learning and vocational training.

2. Farm viability, competitiveness, innovative farm technologies, sustainable forest management
   - (a) economic performance of all farms and farm restructuring and modernisation, notably to increase market participation/orientation and diversification;
   - (b) facilitating entry of adequately skilled farmers and generational renewal.

3. Food chain organisation, incl. processing/marketing, animal welfare and risk management
   - (a) integration of primary producers into the agri-food chain: quality schemes, adding value, promotion in local markets and short supply circuits, producer groups/ organisations;
   - (b) farm risk prevention and management.

4. Restoring, preserving and enhancing ecosystems
   - (a) biodiversity, including in Natura 2000 areas, areas facing natural or other specific constraints and high nature value farming, and the state of European landscapes;
   - (b) water management, including fertiliser and pesticide management;
   - (c) prevention of soil erosion and soil management.

5. Resource efficiency and shift towards a low carbon and climate resilient economy
   - (a) efficiency in water use
   - (b) efficiency in energy use
   - (c) renewable sources of energy, by products, wastes and non-food raw material for the bio-economy
   - (d) reduction of greenhouse gas and ammonia emissions
   - (e) carbon conservation and sequestration

6. Social inclusion, poverty reduction and economic development in rural areas
   - (a) diversification, creation and development of small enterprises and job creation
   - (b) local development in rural areas
   - (c) information and communication technologies (ICT) in rural areas

Innovation, Climate Change and Environment
Rural development instruments

Investments

Land use

Guidance/Technology

Cooperation
Sustainable land management – RD tools available

- Agri-environment-climate
- Organic farming
- Environment & climate linked investments
- Natura 2000 payments
- Knowledge transfer & advisory services
- Basic services & village renewal
- Water Framework Directive payments
- Animal welfare
- Co-operation
- Leader
- Sustainable land management – RD tools available
- Landscapes
- Environment
- Forestry
- Agriculture
- Rural Economy
- Sustainability
EU budget 2014 - 2020

CAP as a share of the EU budget (in %)

- **Smart and Inclusive Growth**: 38%
- **Sustainable Growth**: 27%
- **Security and Citizenship**: 62%
- **Global Europe**: 11%
- **Administration**: 69584 EUR million
- **CAP direct payments**: 17725 EUR million
- **other CAP market measures & rural development**: 420034 EUR million
- **other EU policy areas**: 66262 EUR million

EUR million
The role of the CAP in the EU sustainability

Sustainable growth

CAP (97%)

P1 (76%)
P2 (24%)

P1 – pillar 1 of the CAP: direct payments
P2 – pillar 2 of the CAP: rural development
The long drive of CAP reform

Source: DG AGRI
Results

✓ 90% of UAA in the EU under the rules of cross-compliance

✓ 75% of the UAA in the EU under at least one greening requirement (66% of arable land, 31% of permanent grassland, 3% permanent crops)

✓ The area under ecological focus area requirement: more than 10% (obligation: 5%) but...
  • ...most of this area achieved by productive areas: nitrogen fixing crops, catch crops and land lying fallow

✓ 24% of the UAA in the EU under agri-environmental and organic farming rural development commitments.
Targets 2014-2020 – land under rural development management

- Biodiversity: 17.7%
- Water management: 15.1%
- Soil management: 14.3%
- Water use (irrigated land): 15.3%
- C sequest. & conserv.: 0.9%

Legend:
- % of forestry land
- % of agricultural land
Challenges for the agricultural sector and rural areas

- Scarcity of natural resources
- Food supply
- Climate change
- Volatility
- Technological developments

Policy context after the last CAP Reform

- Subsidiarity
- Simplification
- Pressure on CAP budget

The CAP

Political Guidelines for the Juncker Commission
EU international commitments

- Jobs, Growth and Investment
- Trade
- Climate Policy
- A Resilient energy Union
- Deeper Internal Market
- Sustainable Development Goals
Thank you for your attention

https://ec.europa.eu/commission/index_en

https://ec.europa.eu/agriculture/index_en