

The CAP support beyond 2020: assessing the future structure of

Direct payments and Rural Development interventions

in the light of the EU agricultural and environmental challenges

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Structure of the Presentation

1. Introduction
2. Aim and approach
3. Direct Payment interventions
4. Rural Development interventions
5. Recommendations
6. Concluding remarks

1. Introduction

- Challenges in farm income, environment/climate, rural areas
- Need for targeted and tailored policy interventions, taking into account the MS heterogeneity
- Legislative proposals
 - Direct payments: changes in specific CAP objectives (climate), delivery model (subsidiarity), architecture and key principles
 - RDP: changes in priorities and budget allocation

2. Aim and approach (1/2)

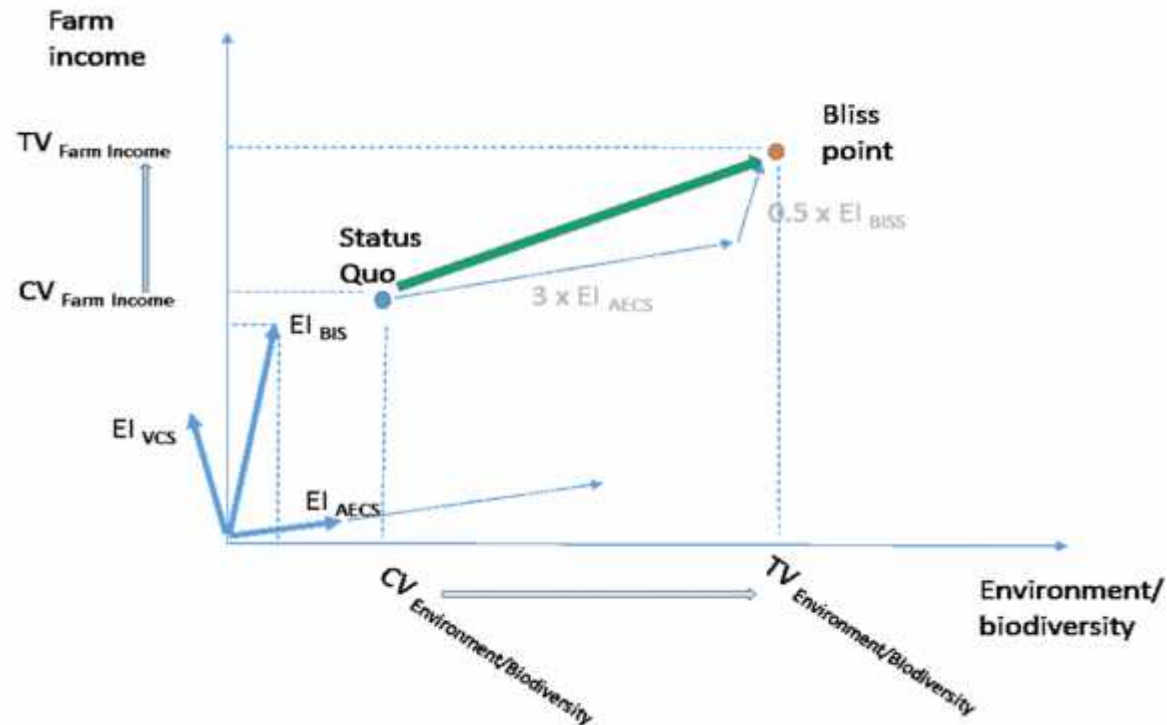
- Focus on Title III for the new CAP (COM(2018) 392)

- Assessment of the proposed interventions:
 - relationship to the current CAP (changes, adjustments, new)
 - aspects, conditions and requirements of the measures that may impact their functioning
 - proposals and recommendations for improvements.

- Necessary ingredients in the policy optimization framework

2. Aim and approach (2/2)

- Positioning assessments in a policy optimization framework



Frisch-Tinbergen
policy optimization
framework:

- ✓ Have sufficient, effective policy measures,
- ✓ that are well-combined
- ✓ to achieve target values on specific policy objectives

3. Direct payments (1/2)

- Farm income support is suffering from inequalities in distribution, lack of targeting and lack of need-oriented criteria
- New CAP addresses this problem to a limited extent
- Enhanced conditionality contributes to a baseline, which goes beyond the current level
- Eco-schemes (ES) create possibilities to reward farmers for actions improving climate and environment
- Room to further enlarge potential and coverage of ES

3. Direct payments (2/2)

- Obligatory reduction of direct payments (capping) is not likely to be very effective due to mandatory side condition to deduct the salaries of (un)paid workers
- Coupled income support for sustainability should be used in a targeted (or discriminatory) way
- Level playing field concerns:
 - enhanced conditionality
 - payments for eco-schemes
 - coupled income support/sectoral interventions
- Limited 'guidance' on climate measures

4. Rural development (1/2)

- RDP policy: *from compliance to performance*
- Agri-environment, climate and other management commitments have a wide coverage with a special focus on environment and climate (obligatory)
- Natural or other area-specific constraints and Area specific disadvantages resulting from certain mandatory requirements interventions contribute to fairness and addressing MS/regional heterogeneity
- Investment intervention addresses many challenges and facilitates transition to a more sustainable agriculture while ensuring its long term viability.

4. Rural Development (2/2)

- Investments and Young farmer support need a careful specification to ensure a level playing field and compatibility with WTO requirements
- Risk management needs to be part of broad approach (coherence, MS/regional heterogeneity)
- Cooperation and Knowledge and information sharing interventions may play key role in an effective innovation and farm modernisation strategy
- Support and extension of Farm Advisory Services is to be welcomed

5. Recommendations (1/7)

Income support

- Alternative criterion for capping, based on:
 - a normative calculation of farm labour, and
 - a maximum compensation ceiling per unit of labour

- Make the condition regarding the deduction of salaries and imputed income for unpaid (farm family) workers optional

- Exempt payments aimed at other objectives (e.g. environment and climate) from capping

5. Recommendations (2/7)

Income support

- Coupled income support instrument should be used in a restrictive way to preserve a level playing field (e.g. maximum share of 30% of production at sector and MS level)
- Young farmer payments should have as a side condition that supported farmers adopt or satisfy sustainability

5. Recommendations (3/7)

Eco-schemes

- Plan “to bolster environmental care” justifies a minimum direct payment: e.g. a 15% – 20% minimum share of total direct payment
- Eco-schemes require additional flexibility in order to make them better suitable as performance based delivery mechanisms (e.g. entry level schemes, point systems)
 - should allow for action-based targeted payments financed on basis of other outputs than hectares
 - its scope should be widened to include animal welfare and societal concerns

5. Recommendations (4/7)

Rural Development

- For Investment support guidance on selection criteria is needed and transparency in selection of projects
- Investment support should primarily address market failure (relate especially to NPI and restoration of farmer assets after calamities)
- Importance of investments (innovation, sustainability, long-run farm viability) justifies introducing a minimum spending share requirement (e.g. 5%).

5. Recommendations (5/7)

Rural Development

- Investments and Young farmer support need a careful specification in order to ensure a level playing field and compatibility with WTO requirements
- Risk management needs to be embedded in a broad approach (including awareness raising, farmer advice, accounting for interactions between various policy measures and private sector provisions)
- Member States should have the option to make specific types of risk insurance obligatory (e.g. include risk management in ‘conditionality’)

5. Recommendations (6/7)

Level playing field

- In order to preserve a level playing field ceilings should be imposed on:
 - the share of farmers in a sector that at maximum can be supported by coupled income support
 - the maximum payment for eco-scheme services in relation to the estimated average net cost of delivering these services
- Investments and Young farmer support need a careful specification in order to ensure a level playing field and compatibility with WTO requirements

5. Recommendations (7/7)

Financial and Other issues

- Disproportionate cuts in the Pillar 2 envelopes of MSs should be avoided
- MSs having a lower than EU-average Pillar 2 expenditure should be further restricted in the flexibility to shift money from Pillar 2 to Pillar 1
- Functional agro-biodiversity (e.g. honey bee and other ‘useful’ insects) should be added to the list of resources that are subject to sustainable resource use measures

6. Concluding remarks

- CAP offers a rich menu of instruments and large flexibility to MSs with respect to policy measure implementation options
- Issue of Indicators (topic of previous assessment) is crucial (e.g. eco-schemes)
- MSs might be induced to propose only modest ambitions in terms target indicator values and/or to choose those instruments for which such target values are, in relative terms, easy to predict and achieve