

The Future of Direct Payments

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Focus on direct payments

- Direct payments accounted for **around 72% of the CAP budget** and for just less than **30% of the EU budget** in the 2013-2015 period.
- They are also an important **source of income** on many farms

Background

- The Common Agricultural Policy (CAP) has experienced a long period of evolution...
- ... culminating in the **2013 CAP reform**
- 2013 reform made a significant effort to address **environmental and land management** issues within the CAP
- But outcome left most stakeholders **dissatisfied**
- Commission to come forward with **new proposals** for CAP after 2020 in middle of 2017
- Should this be an incremental change...
- .. Or a more fundamental re-thinking post-2020?

European agriculture faces many challenges

- Support **production** of food and biomass by encouraging **innovation** and enhanced **competitiveness**
- Encourage **generational renewal**
- Improve the **sustainability** of agricultural production practices
- Enhance the **protection** of ecosystem services
- Increase **resilience** to climate change and contribute to **mitigation/ sequestration** of greenhouse gas emissions
- Better preparedness in the face of **risk and market price variability**
- Promote agricultural **diversity** and agriculture's role in **rural regions**

Model 1. Technical Adjustments

Revisit the contentious issues in the 2013 CAP reform

- Return to **external convergence**
- Complete the move to **regionalised basic payments**
- Continue debate on 'active farmer'
- Reduce **capping** thresholds and/or increase use of the **redistributive payment**
- Alter **greening payment** rules to grant either more or less **flexibility** to Member States

Model 2. Farm-focused reforms

Policy focus

- Assumes decision-makers wish to follow US path to replace decoupled direct payments with counter-cyclical payments and/or income stabilisation tools

Issues discussed

- Convert decoupled payments to **counter-cyclical payments**
- Replace direct payments with **insurance products**

Model 3. Revisiting greening

Policy focus

- Assumes decision-makers wish to improve the effectiveness of greening and examines four different options

Four options discussed

- Reverting the greening practices to **cross-compliance**
- Replacing the greening practices by a **menu approach** at the Member State/regional level
- Adopting '**conditional greening**' whereby entitlement to the basic payment would be conditional on enrolling in a basic AECM in Pillar 2
- Transferring the greening payment for **voluntary AECMs** in Pillar 2

5. A proposed future model for direct payments

Policy focus

- Recognises that the current system of direct payments is **neither sustainable** in the long run nor designed to address **the challenges** facing farmers and land managers in Europe today and in the future.

Principles of proposed model (1)

- Payments should be **targeted** on specific objectives with a clear results orientation.
- Payments should be restructured within a **one-pillar**, programmed, multi-annual CAP.
- **National co-financing** should be required for all CAP expenditure.

Principles of proposed model (2)

- **Decoupled direct payments** should be gradually **phased out** over time.
- Savings should be **redirected** to more spending on **risk management, improving competitiveness and environmental public goods**.
- Payment entitlements should be replaced by a **contractual framework**.

Principles of proposed model (3)

- Cross-compliance and the greening payment should be replaced with ‘**conditional greening**’ whereby the receipt of public support would be conditional on enrolling in a basic (shallow) environmental scheme devised by the Member State.
- The allocation of budget resources should be **incentive-based** so that budgets are allocated to Member States based on performance as well as needs.

THANK YOU FOR YOUR ATTENTION