



CNADS¹ contribution to the formal debate launched by the EC on the future of the CAP

Why do we need a European Common Agricultural Policy?

The Common Agricultural Policy (CAP) is an old common policy of the EU with significant achievements, not only regarding its stated objectives, such as they are still inscribed in the Treaties, but also in many other important directions. The CAP contributed to European food security and has been crucial in maintaining diversified farming systems across Europe, particularly in marginal areas, where they deliver multiple environmental and social public goods, in accordance with the European model of agriculture – one which is competitive, multifunctional and spread all over Europe.

Without this basic and diversified “farming infrastructure” spread all over the European territory, it is pointless to demand from European farmers that they face the big challenges ahead of delivering environmental public goods, food security and rural vitality, in an age of climate change, unstable global markets, generalized economic crisis and, overall, a deep sustainability crisis. This is why we need a strong Common Agricultural Policy for the next decade.

What are society’s objectives for agriculture in all its diversity?

Society expects from agriculture, first of all, secure sources of food supplies, and food that is safe, diversified and that reflects the diversity of the European territories. This is a major task for agricultural science and technology, innovation and food chain organization. These are indeed the key factors in delivering a competitive and sustainable farming sector for a future that we can anticipate will be characterized by deep economic and ecological uncertainties.

Secondly, European citizens demand from farmers that they manage the land and other natural resources in ways that deliver high levels of high-quality environmental and social public goods and services, such as water, biodiversity, carbon sequestration, fire and flood prevention, scenic settings for recreation and residence, vital rural communities, and others. Many of these goods and services are threatened by the abandonment of farming, agro-forestry and forestry systems occurring predominantly in economically marginal land, where most of these services come from. Other such public goods are threatened by agriculture intensification. Society expects from agriculture that, in addition to commercial produce, it delivers such public goods by both maintaining viable land use systems in marginal areas and adjusting the intensive farming systems of core agricultural areas along a sustainability path. Both of these reasons would fully justify the

¹The Portuguese National Council of the Environment and Sustainable Development (CNADS) is an independent advisory body that, by its own initiative or by request of the members of the Government, public authorities or environmental NGO can give advice or recommendations about all the issues regarding the environment and sustainable development. It is also a forum for the formulation and implementation of environmental and sustainable development policies. Since 1999 CNADS is a member of the European Environment and Sustainable Development Advisory Councils Network (EEAC).

inclusion of a core task on Sustainable Land and Natural Resource Management within the core goal of Sustainable Growth inside the Europe 2020 Strategy.

Why should we reform the CAP, and how can we make it meet society's expectations?

Of course, not all farming systems deliver the same levels of public goods. This is why it is important to positively discriminate those farming systems that deliver the highest levels of the highest quality public goods.

At a basic level, all European farmers are required to comply with particularly demanding environmental, food safety and animal welfare rules, and so they suffer some competitive disadvantages when compared to their colleagues in third countries who directly compete with them in the global markets. This clearly justifies either some border protection or direct payments, which are already a form of payment for public goods that European citizens require from farmers through particularly high-level legal requirements.

It is, however, not clear that those farmers that deliver more public goods are the ones commanding the highest levels of CAP support. There is indeed some evidence showing that this is not the case. So, especially in a moment when all European citizens and taxpayers are asked to face the consequences of a deep economic and financial crisis, it is crucial to reform the CAP in a way that more clearly links the taxpayers' effort to support agriculture to the effort each particular farming system makes in addressing societal goals as regards public goods delivery. This is in our opinion the major purpose for the next CAP reform, aimed at creating a more legitimate and robust CAP for the difficult and uncertain period that we face for the next decade.

What tools do we need for tomorrow's CAP?

A trend towards a flatter single payment rate per hectare of farmland would be a welcome move, in the sense that, by itself, it would correct some deep equity problems related to the current distribution of support across farmers, farming system, regions and Member States. It should be underlined as well that this current, unfair distribution does not reflect at all the different effort made by different farmers to address societal concerns with public goods, especially in agriculturally marginal areas or those characterised by high nature-value farmland.

But a flatter single payment rate across European regions and farming systems wouldn't be sufficient for a fair, sustainable and efficient CAP for the future. A positive premium should be put on those farming systems that make the highest effort on public good provision. Some have argued that this should be done within the current 2nd pillar of the CAP (the Rural Development Policy), but this is not generally a good solution, as it depends on:

- Member States' ability to cofinance public good delivery in a period of deep financial crisis; and also on
- Institutional capacity to manage what is a demanding, transaction-cost-intensive policy delivery mechanism.

So, paying for public goods only within the second pillar may leave us to fail our ambitious targets on public goods delivery. What we need is to have is a simplified mechanism that pays differently for what is different (that is: different farming systems delivering different levels of public goods), of course over and above a general flat rate payment all over Europe. And this needs to be done in a way that keeps things simple at the policy implementation stage, that is: keep it within the limits of our institutional capacity.

This is why we should look for solutions in 1st-pillar-type payments, differentiated by farming system. Indeed, many public good delivery problems can be addressed with simple payment approaches, which reward added effort (above the conditionality level) by paying added top-up payments (over a flat rate for all) to specific farming systems.

And this would also release currently-under-stress institutional capacity that can be then focused on problems that actually require more complex delivery approaches, such as the ones we have been developing under the 2nd pillar of the CAP. The rural development pillar should be focussed on learning by doing about kinds of institutional innovation that are required to implement participatory, science-based and effective approaches to sustainable development (e.g. the so called LEADER approach), not as a standard delivery mechanism for generalized public good provision.

Summarizing, the future CAP should be based on a flat-rate payment and reward, at the EU-wide scale, the added effort of delivering public goods, through 1st-pillar like payments, keeping the policy delivery mechanism simple and compatible with the institutional capacity of all implementing parties.

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