



Public Goods and the Priorities for a Future CAP

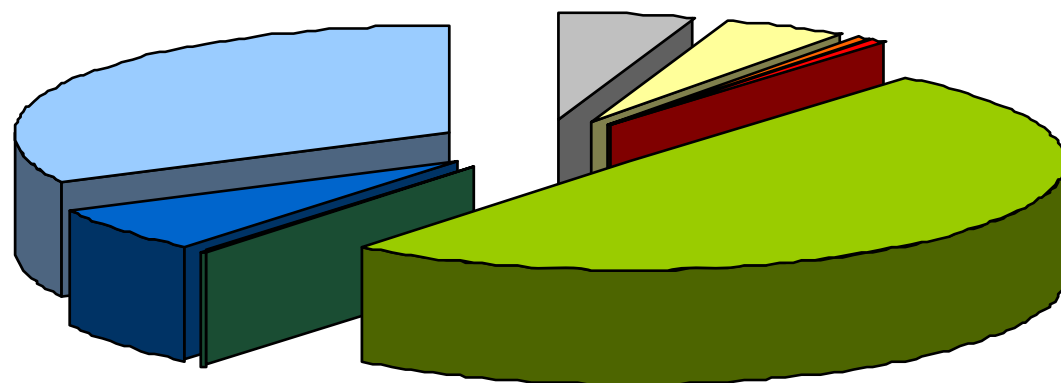
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The EU Budget



EU Budget 2008
Source: European Commission



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| <input type="checkbox"/> EU as global player | <input type="checkbox"/> Administration |
| <input type="checkbox"/> Citizenship | <input type="checkbox"/> Freedom, security and justice |
| <input type="checkbox"/> CAP | <input type="checkbox"/> Environment |
| <input type="checkbox"/> Competitiveness | <input type="checkbox"/> Cohesion |

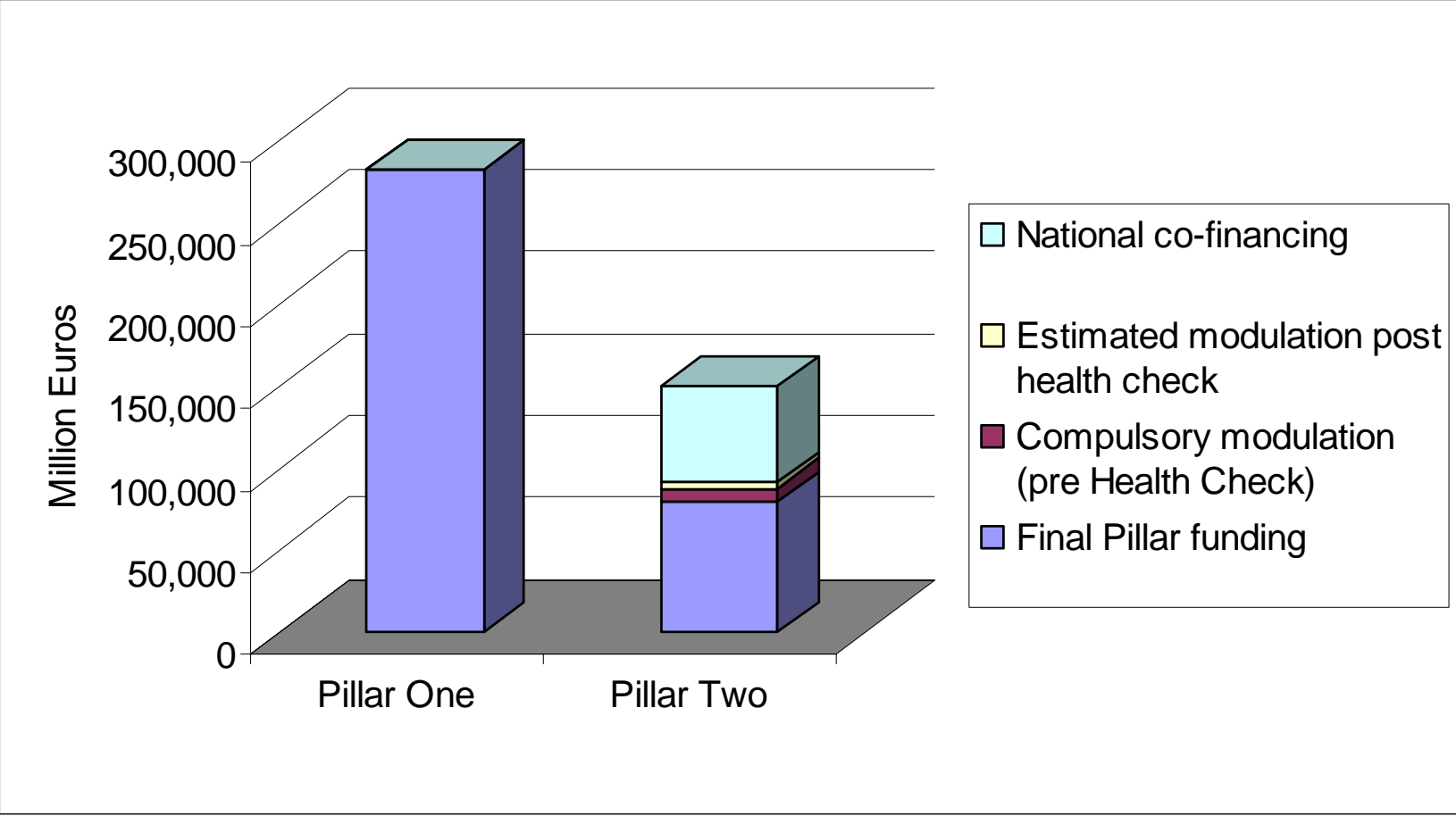
**Total spend
in 2008 =**

€ 126.5 bn

**Of which
CAP =**

€55.1 bn

Distribution of CAP Funds with Modulation and Co-Financing



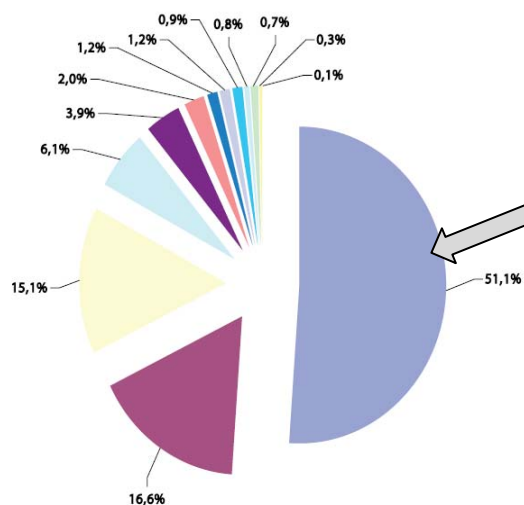
CAP Expenditure, 2007 - 2013



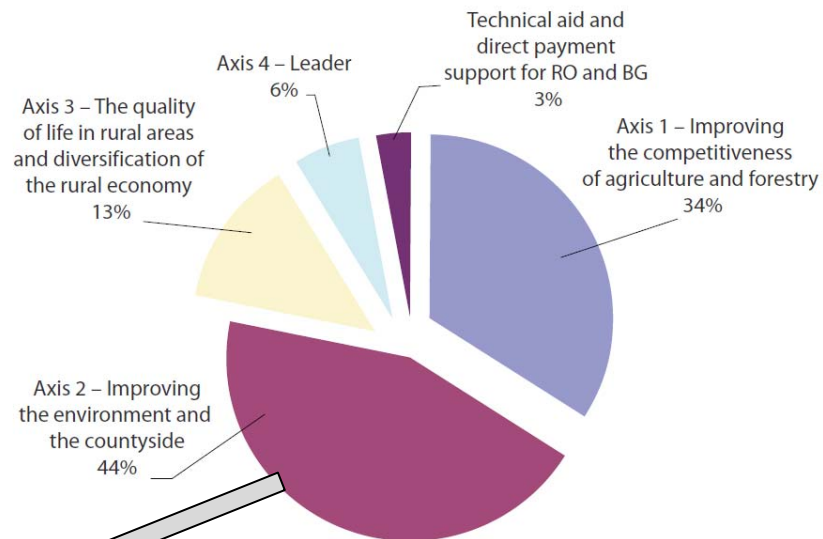
Pillar 1: 270 billion Euro

Pillar 2: 57 billion Euro

Axis 2



214	Agri-environmental payments
212	Payments to farmers in areas with handicaps, other than mountain areas
211	Natural handicap payments to farmers in mountain areas
221	First afforestation of agricultural land
226	Restoring forestry potential and introducing prevention actions
227	Non-productive investments
213	Natura 2000 payments and payments linked to Directive 2000/60/EC
216	Non-productive investments
223	First afforestation of non-agricultural land
215	Animal welfare payments
225	Forest-environment payments
224	Natura 2000 payments
222	First establishment of agroforestry systems on agricultural land



EAFRD

Source: European Commission 2008



The future CAP debate



Policy Timeline



- 2003 CAP Mid Term Review – decoupling, cross compliance, modulation
- 2008 CAP Health Check – “new priorities” for rural development
- 2009 – 2010 EU Budget Review – prompting wider interrogation of CAP rationale and expenditure
- Late 2009 – ratification of Lisbon Treaty – co-decision for EU Parliament on agricultural policy
- 2010 – new Agricultural Commissioner and Cabinet
- Commission Communication on future CAP expected autumn 2010
- 2011 – legislative proposals
- 2012 – 2013 – political negotiations
- 2014 – reformed CAP and a new Financial Perspective.



“Contributing to food security, looking after the countryside and mitigating climate change are public goods. Markets fail to provide them. If we want to have them in the future, we have to support our farmers.”

Mariann Fischer Boel, 11 November 2009

“The CAP reform process ... has contributed ... to the provision of public goods such as scenic cultivated landscapes, grassland habitats, or carbon sequestration in soils that are provided through farming. By doing so, they also contribute to climate change mitigation and adaptation.”

Tassos Haniotis, 18 November 2009



The public goods provided agriculture



Farmland Biodiversity



- Long history of agriculture in Europe has led to the co-evolution and adaptation of species to semi-natural, farmed habitats.
- Species richness is enhanced through more extensive forms of land management which create optimal levels of disturbance.
- Complementary relationship with food production at certain land use intensities.

Valued Agricultural Landscapes



- Over several millennia, agriculture has transformed a largely wooded climax vegetation to open landscapes.
- Livestock grazing, orchards, vineyards, field boundaries, farm buildings, changing field colours, all contribute to a landscape's ecological, aesthetic, and cultural quality.
- These cultivated landscapes are valued in their own right, and certain open landscapes provide resilience to fire.

Social Benefits



- In certain parts of Europe, agriculture plays an important role in maintaining rural vitality.
- In certain farming systems, the social matrix is important in underpinning the delivery of a wide range of environmental Public Goods.
- Public Goods also generate a range of second order socio-economic benefits – enhanced employment, opportunities for tourism, recreation, businesses etc.



Threats to the Provision of Public Goods



- Intensification
- Abandonment
- Conversion to alternative land uses
- Whether or not the loss of a Public Good is irreversible depends on a number of factors, although even when possible, restoration often takes a long time.
- In the case of a loss of agriculture, certain Public Goods may be supplied through alternative forms of land use or by other rural actors.



The Characteristics of Public Goods



- The provision of public goods provides a valid justification for some form of public intervention in a market economy.
- Public goods are ***non-rival and non-excludable*** which means that markets to do function in the coordination of supply and demand.
- The case for intervention is made when public demand for the good – as expressed in political targets – is greater than the current or prospective level of provision.
- In this sense, **undersupply of public goods triggers the requirement for intervention and action.**

The Case for Intervention



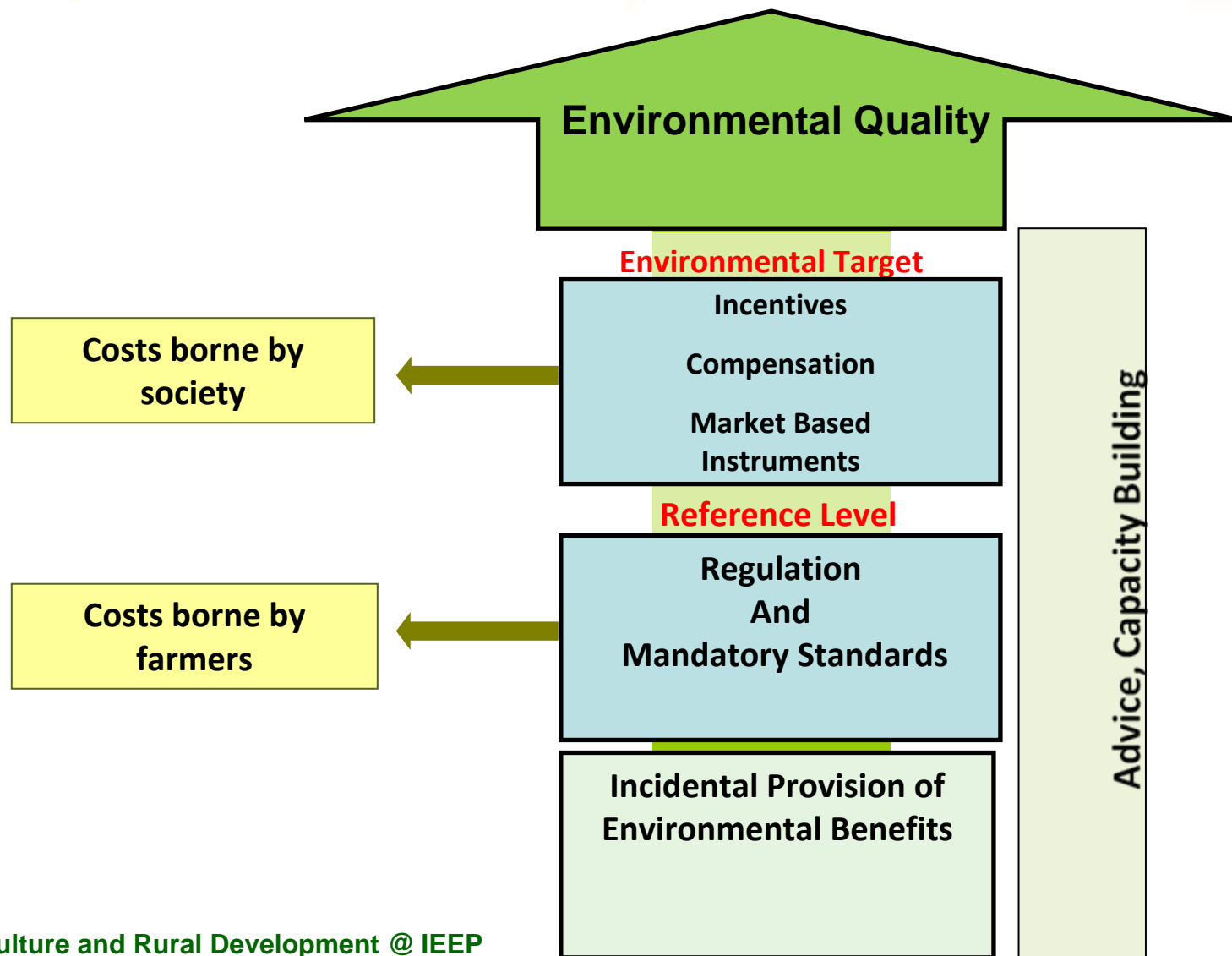
- Agriculture supports the provision of multiple environmental public goods.
- Some are provided as complementary by-products of certain types of agricultural production – although their ongoing provision is not always guaranteed.
- The case for intervention is made when public demand for the good – as expressed in political targets – is greater than the current or prospective level of provision.
- In this sense, **undersupply of public goods triggers the requirement for intervention and action.**

The Means of Intervention



- Public intervention can be achieved through a number of different instruments:
 - regulation and standards of good practice
 - information, training and advice
 - incentives, compensation and investment grants
 - market based instruments
 - land purchase.

The Environmental “Reference Level”



The Existing Policy Framework



- The logic for supporting the provision of public goods is beginning to be integrated into the current policy framework.
- Range of ***environmental targets***:
 - Implicit in 2007 – 2013 Rural Development programmes and in broader environmental targets (e.g. EU Sustainable Development Strategy, Water Framework Directive, EU Soil Thematic Strategy, National Emissions Ceiling Directive etc.)
- ***Mandatory baseline*** is set out in EU and national legislation and in Cross Compliance:
 - Through the Statutory Management Requirements and mandatory GAEC standards.
- Range of rural development measures that support the provision of public goods:
 - E.g. Agri-environment, LFA, Natura 2000, forestry measures, training and advice, rural heritage etc.



Thank you for your attention

For further information on the future CAP debate visit
www.cap2020.ieep.eu

The study on 'The Provision of Public Goods through Agriculture in the EU' is due for publication in January 2010, and will be available on the web-sites of DG Agriculture and IEPP.

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