European farming reform – too weak to support greener, fairer and local agriculture

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Briefing on the EU Common Agricultural Policy post 2013 deal, 26 June 2013

Executive Summary

The reform for a new Common Agricultural Policy (CAP) post 2013 started with big expectations and political announcements that EU food and farming policy would shift towards a more sustainable path by 2020. In particular the European Parliament's new joint decision-making powers together with the European Commission and the Council gave hope that a more equitable, just and ecological CAP would evolve from the drawn out negotiations.

The problems that the Common Agricultural Policy needed to confront could no longer be ignored. These range from well-documented environmental damage – climate change, biodiversity loss, soil erosion, water pollution – to the loss of farmers and workers in rural areas and the CAP's negative impacts on developing countries through directly or indirectly subsidised agricultural exports or exploitation for cheap feed and raw materials.

Despite these urgent challenges, none of the EU institutions committed themselves to real reform. No one took responsibility to introduce strong and meaningful measures to change current unsustainable production patterns and address the long-term societal challenges. Even worse, the new CAP could increase damage to rural areas and threaten sustainably producing small and medium-sized farmers. It would dis-incentivise farmers pioneering agro-ecological approaches, and continue damaging biodiversity and our natural resources, as well as wrecking markets and the environment in third countries by weak greening measures, export competition and insurance schemes.

Instead of strong binding instruments to tackle the issues at stake, this political deal is full of exemptions and get out clauses, with key measures to be implemented at the national level only on a voluntary basis.

Meaningless greening

The so-called "greening" of direct payments is so meaningless that it will most likely not help at all to halt the further depletion of our natural resources. Monocultures instead of crop rotation will be favoured, areas left for biodiversity to thrive have been watered down with the rules not even applicable for around a third of agriculture.

Unfair distribution

Efforts to stop 20% of the large farms sucking up 80% of all the funds have not yet been successful, with the cap on how much big farms get still far too high. Efforts to help small farmers and diverse farming practices are insufficient and it is questionable how many will be able to economically survive.

Money to protect the environment insufficient

Funds for agri-environmental measures and organic farming have been earmarked but keep the status quo. Proposals to shift money from the Pillar 2 (rural development) to Pillar 1 (direct payment) will mean less money for protecting the environment and support for biodiversity-friendly farming. In the end our EU and national leaders are agreeing to maintain intensive agricultural practices, justified with some green window-dressing to allow subsidies under unlimited Green Box spending in the WTO, and continuing support for export markets for subsidised European food. This is to the detriment of farmers in the North and South who do their best to produce healthy and high quality food, our environment and natural resources, and rural communities in developing countries. Future generations have been neglected to serve vested interests and please the current beneficiaries of a deeply unfair and damaging policy.

1. Weakening the greening of the CAP

One of the main objectives of the Commission for the new CAP was to achieve a policy promoting sustainable agriculture through the so-called 'greening' of the direct payments under Pillar 1. At the heart of its original proposals the European Commission proposed an obligation on farmers to introduce requirements to fulfil 3 basic agronomic measures, next to existing environmental obligations (under cross-compliance), in order to receive EU subsidies.

The greening was presented as the tool to ensure that agriculture would be more environmentally friendly, socially viable and resilient, together with reformed 'cross-compliance'[1] rules and a toolbox of targeted multi-annual rural development measures under Pillar 2.

Door opens for voluntary greening

In March 2013 both the Agriculture Council[2] and European Parliament[3] positions called for the greening component to be watered down. The Agriculture Council went so far as to suggest that in many circumstances greening could be voluntary, while the ambiguous nature of the Parliament's position proposed that it should be left to farmers to decide whether to fulfil the requirements and take the greening payments representing 30% of the total EU direct aids. Only a small part of the basic payment could be cut in case the requirements are not fulfilled - no cuts beyond the greening payments in the first few years though.

This would mean that effectively more than 60% of the direct subsidies would not be linked to improving the environment and implementing good agricultural practices. This goes against the rationale of taxpayers money for public goods.4Given the size of EU direct payments and the EU championing itself as a global agricultural exporter, forthcoming EU notifications of subsidies in WTO and the extent to which it causes harm to poor farmers in developing countries will or should receive utmost scrutiny.

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1 Farmers receive public subsidies based on the fulfilment of various basic environmental, animal welfare and plant health measures called 'Good Agricultural and Environmental Conditions' (GAEC) and 'Statutory Mandatory Requirements' (SMR).

2 http://register.consilium.europa.eu/pdf/en/13/st07/st07183.en13.pdf
http://register.consilium.europa.eu/pdf/en/13/st07/st07329.en13.pdf
http://register.consilium.europa.eu/pdf/en/13/st07/st07303.en13.pdf
http://register.consilium.europa.eu/pdf/en/13/st07/st07304.en13.pdf

3 http://www.europarl.europa.eu/committees/en/agri/home.html

4 Besides, this goes also against the rationale of the green box subsidies that are unlimited under the WTO on the condition that payments do not lead to trade distortion.

Environment rules reduced

Both institutions have also seriously weakened the cross-compliance criteria by reducing the number of requirements for farmers. In this scenario the net result would be no meaningful transition to sustainable farming practices for all farmers and no recognition for farmers already delivering significantly for the environment and climate. In the end the long-term viability of farmers and rural areas would continue to be ignored.

One important requirement which has been taken out of cross-compliance rules is for the protection of wetland and carbon rich soils. In addition the ambition of the Commission to include the Water Framework Directive[5] and the Sustainable use of Pesticides Directive in cross compliance has not been embraced by agriculture ministers and MEPs.

Weaker 'greening'

The three greening measures proposed by the Commission were crop diversification, permanent grassland protection and the introduction of ecological focus areas (EFA) on farmland. These measures were already weak in the Commission proposals and have been further watered down in the negotiations under pressure from the Parliament and the Council.

Next to that, institutions agreed to allow Member States to replace every single one of the measures with "equivalent" agri-environmental practices whose positive impact on the environment is in some cases very little and questionable.

The watering down of the "greening" proposals will also place further pressure on an already shrinking Pillar 2 budget. In the end, advanced sustainability measures such as organic farming and effective agri-environment-climate measures could be seriously undermined.

More monocultures, less crop rotation, less wildlife areas

The increase in monoculture farming, where the same crops are grown on the same fields in consecutive years, is threatening biodiversity and damaging soils. Monoculture farming is also highly dependent on chemical inputs.

The Commission had already submitted a very weak proposal to solve the problem; instead of encouraging farmers to rotate their crops it proposed to support farmers if they simply had a minimum of three crops on their fields – regardless of whether they rotated them.

The Commission had also proposed that farmers set up 'ecological focus areas' (EFA) – areas designed to bring benefits for biodiversity – covering 7% of their land.

In the negotiations process both measures have been watered down. EFAs will start at 5% of the agricultural land and could reach 7% after an evaluation report in 2018. Numerous exemptions have been made so that more than 30% of the utilised agricultural land in the EU might not be farmed respecting these measures, and under certain conditions even chemicals can be used on EFAs.

Furthermore, there is no requirement on farmers to plant legume crops as part of this 'crop diversification'. These weak crop diversification measures will not help to reduce artificial

[5] The Water Framework Directive is a directive which commits EI member states to fulfil good qualitative and quantitative status of water sources by 2015. Agriculture contributes to water pollution through the use of artificial fertilisers, pesticides, nitrogen pollution through intensive livestock farming.

fertiliser inputs which not only pollute waterways but also increase greenhouse gas emissions. Strangely, instead of doing this farmers are encouraged to plant nitrogen-fixing leguminous crops on their ‘ecological focus areas’.

Nitrogen-fixing leguminous crops have great environmental advantages, but they belong in a crop rotation – where they can improve the soil quality for future crops – and not on an ‘ecological focus area’ which is supposed to increase biodiversity.

2. Weakening the equity of the CAP

Another objective of the Commission was to ensure fairer distribution of direct payments between farmers and regions. Next to a suggested convergence of payments on European and national/regional level and a move towards unified per hectare payments, another instrument was suggested called capping (or degressivity) of subsidies for large beneficiaries.

Unfair distribution

A redistributive payment suggested by the European Parliament - up to 30% of national payments - would allow shifting money from larger farms to small and medium farms which contribute the most to employment. Direct payments should be also made more accessible for small farmers who would be able to apply more easily for those. Information about beneficiaries was supposed to be transparent for everyone to ensure the public knows who gets the funds.

However, both the small farmer’s scheme and the degressivity (to be decided at a later stage) would be voluntary for member states meaning that a member state can choose to introduce them or not. On the other side it is questionable if the small amounts offered to small farmers would help them stay in business, as a farmer once choosing the scheme, won’t be able to leave it. The flexibility that is needed has not been introduced. The measures are inadequate to encourage "new farmers" to start business and contribute to lively rural areas.

The capping and degressivity approach is needed in a system where only 20% of all EU beneficiaries get 80% of the CAP funds. However the threshold agreed should be much lower in order to achieve a truly fair redistribution and to avoid the risk of increasing market concentration.

Damaging developing countries

An operational monitoring mechanism that would alert European policy makers and the public to unfair trade practices or harmful impacts on poor farmers in developing countries was recommended by the EP Development Committee but dismissed in the proposals of the Commission.

Despite the huge impacts of European agriculture on third countries, the EU institutions failed to ensure that the "do no harm" approach has been introduced in the CAP legislation. This would have ensured that the long term impacts on food security in developing countries would have been monitored.

Significantly, the legal instrument of export subsidies has been maintained - even if the budget is set at zero - which communicates to the international community that the EU is not willing to refrain from using trade distorting instruments – when deemed opportune. This runs counter to the commitment to fairness of EU trade policies.

3. Damaging rural development

Successive reforms since the 1990s, with accompanying measures and subsequent Rural Development Programmes under Pillar 2, have promoted multi-annual and targeted national and regional approaches for farmers and rural actors working towards a more sustainable food production, processing and marketing. One important strand of this 2014-2020 funding is the support for advanced sustainability measures such as agri-environment practices and organic farming, as well as investment support and farm advisory and extension services to help farmers to undertake more holistic approaches to rural development and long-term farm viability.

The initial rationale of this reform saw Pillar 2 complimenting Pillar 1's greening and promoting greater cooperation and emphasis on innovation. However, with the EU's budget being reduced there is a real danger that rural development programmes will carry an unfair burden of the cuts.

Less money for environmental measures

Agri-environmental measures, including organic farming, enable farmers to use their land in a way that preserves biodiversity and eco-systems. Institutions agreed to devote a minimum of 30% of the rural development budget to agri-environmental measures, organic farming, but also Less Favoured Areas (LFAs) which means keeping the status quo.

The European Parliament also proposes higher investment support for organic farming and agro-ecological production systems, as well as recognition for such production systems in new Innovation Partnerships which can help to shape rural economies towards sustainability.

However, in Pillar 2 (rural development) everything depends on sufficient funding. The draft EU budget for 2014-2020 period foresees less money overall for Pillar 2 - a cut of 11-12% compared with current EU budget 2007-2013. If member states use the possibility to shift 15% of money from Pillar 1 to Pillar 2 this could give rural development a good boost.

There is however a real danger that member states could shift instead up to 15% of money from Pillar 2 to Pillar 1. This would be a serious drawback for the CAP: even more un-targeted direct payments at the expense of targeted rural development measures. Even more alarming is that the European Council deal on the next EU budget 2014-2020 introduced more flexibility for some member states to shift a further 10% of rural development money (Pillar 2) to direct payments (Pillar 1). With cuts to Pillar 1 it can be expected a number of member states are tempted to use this option to offset any loss to direct payments and calm farmers' protests. Unfortunately, neither the CAP trilogues nor the final compromises reached on June 26th have solved this uncertain issue for rural development programmes future.

In addition, the newly introduced insurance schemes as well as the Income Stabilisation Tool (IST) could become extremely costly and threaten the budget for agri-environmental measures and support to biodiversity-friendly farming. Insurance and the stabilisation tool will not help farmers to become economically and ecologically more sustainable, on the contrary: they incentivise risky behaviour. Proper market organisation (CMO) would help farmers more to become resilient to the challenges of the food market.

4. National implementation can save the remaining greening shoots

In the end, after a political agreement at EU level is reached a lot of issues still have to be decided by national and regional authorities about how the new CAP regulations are implemented. Therefore many things can still be done at the local and regional level by farmers, rural communities and civil society to improve the targeting of public money towards agro-ecological approaches and bottom-up approaches to community development.

The implementation of new approaches to direct payments such as capping and degressivity as well as the small farmers' scheme present opportunities for stakeholders to advocate for sustainable food and farming systems. In addition new rural development programmes also offer some potential. For instance there are still possibilities to move a maximum percentage of the national CAP budget from Pillar 1 to Pillar 2, to dedicate more than 50% of the Pillar 2 budget to measures that promote advanced sustainability such as organic farming and agri-environment-climate and to prioritise agro-ecological approaches across rural development programmes."

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