



The EU's Agricultural Policy

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6 February 2018

Overview of the presentation

Part I

- Agriculture in the EU

Part II

- Zoom: agriculture & environment

Part III

- The CAP of today

Part IV

- A history of reforms

Part V

- The 2013 Reform in more detail

Part VI

- Where do we go next?

PART I: AGRICULTURE IN THE EU

Agriculture in the EU

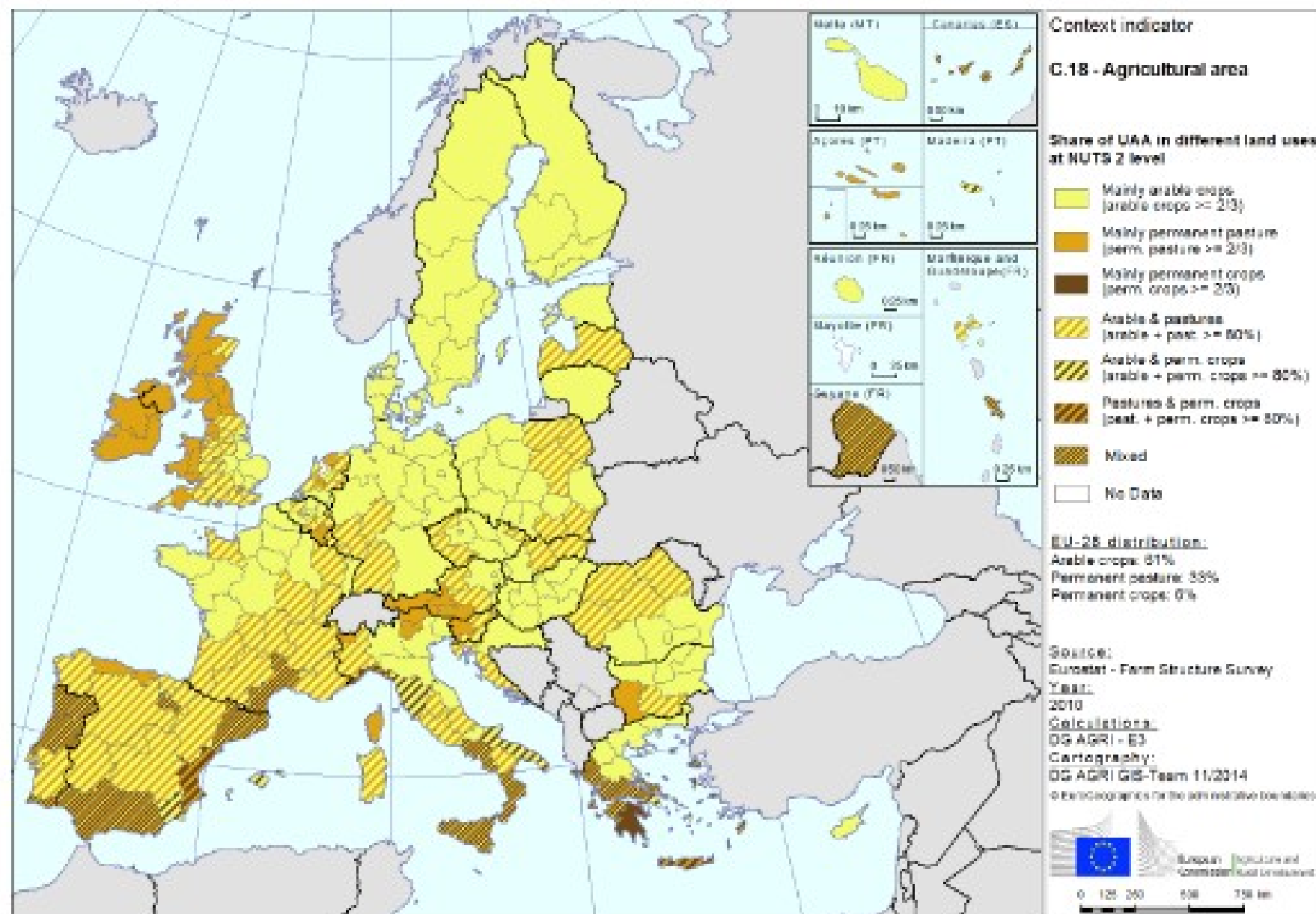
The Role of Agriculture

- 47 % of EU's land area, 12 million farmers
- 7 % of all jobs (+ food sector) generating 6 % of GDP
- EU leading exporter of agricultural products

Trends

- 1990-2010: number of farmers halved
- Productivity increased significantly (intensification & specialisation)
- Average farm size growing (15 ha), but still primarily on small family holdings

Figure 2: Share of UAA in different land uses at NUTS 2 level, 2010



Employment in the primary sector

- The vast majority of jobs in urban, intermediate and rural regions are provided by the tertiary (services) sector (73.5% for the EU-28).

C.11 - Structure of employment (% by branch) - 2015			
Country	MS		
	Primary sector	Secondary sector	Tertiary sector
Belgium	1.3	17.9	80.8
Bulgaria	18.8	25.5	55.7
Czech Republic	3.1	36.8	60.1
Denmark	2.5	17.3	80.2
Germany	1.5	24.4	74.1
Estonia	3.9	29.4	66.7
Ireland	5.5	18.3	76.1
Greece	11.9	13.8	74.3
Spain	4.0	17.9	78.2
France	2.8	17.4	79.8
Croatia	9.1	26.7	64.2
Italy	3.7	23.3	72.9
Cyprus	4.0	15.1	80.9
Latvia	8.0	23.5	68.5
Lithuania	9.1	25.1	65.9
Luxembourg	1.1	19.3	79.6
Hungary	6.8	27.2	66.0
Malta	1.6	18.9	79.5
Netherlands	2.2	14.7	83.1
Austria	4.1	23.0	72.9
Poland	11.5	30.2	58.3
Portugal	11.0	23.1	65.9
Romania	26.6	27.7	45.7
Slovenia	8.2	29.2	62.6
Slovakia	3.3	30.8	65.9
Finland	4.3	22.5	73.2
Sweden	2.3	20.4	77.3
United Kingdom	1.2	16.0	82.8
EU-28	4.8	21.8	73.5
EU-15	2.8	19.9	77.3
EU-N13	12.6	29.3	58.2

- The primary sector is still important for rural employment in a number of countries, above all in Romania and Bulgaria.

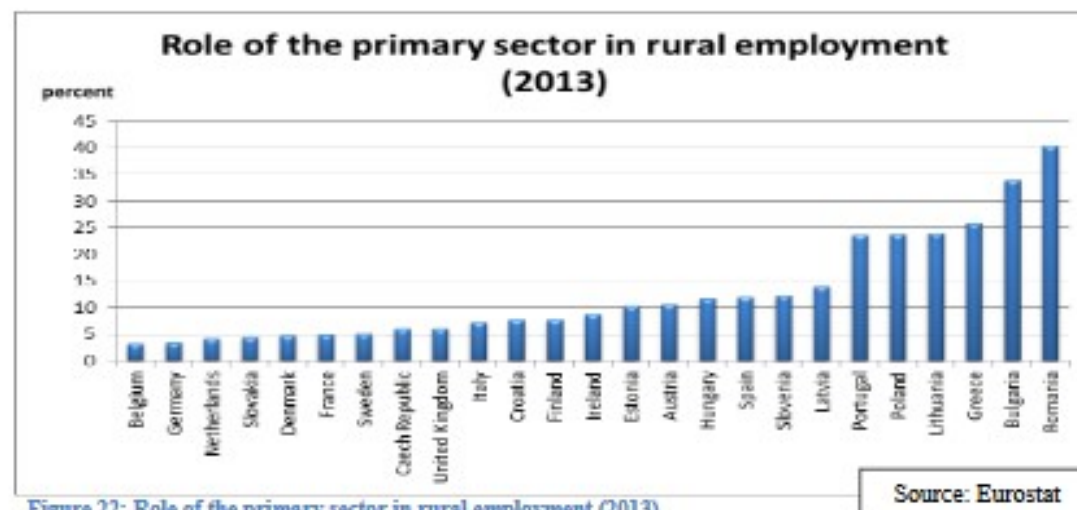


Figure 22: Role of the primary sector in rural employment (2013)

See also [Common Context Indicator 11: Structure of employment](#)

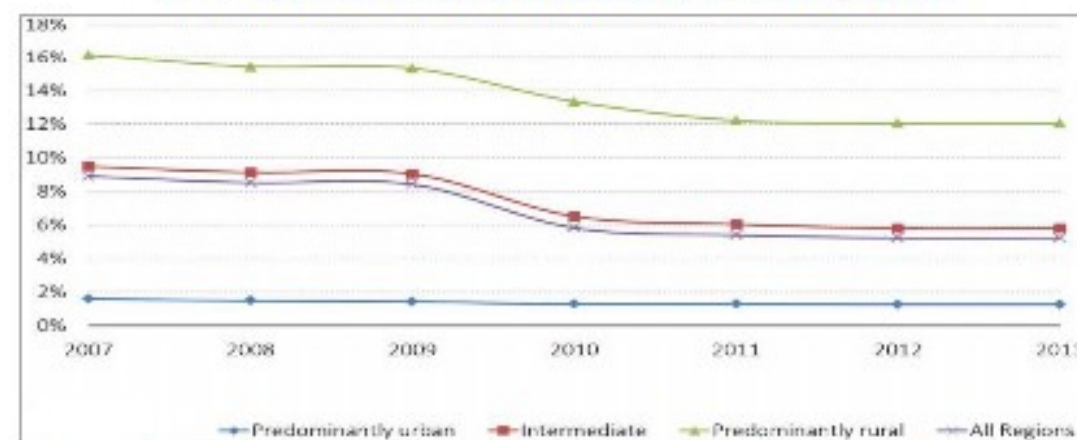
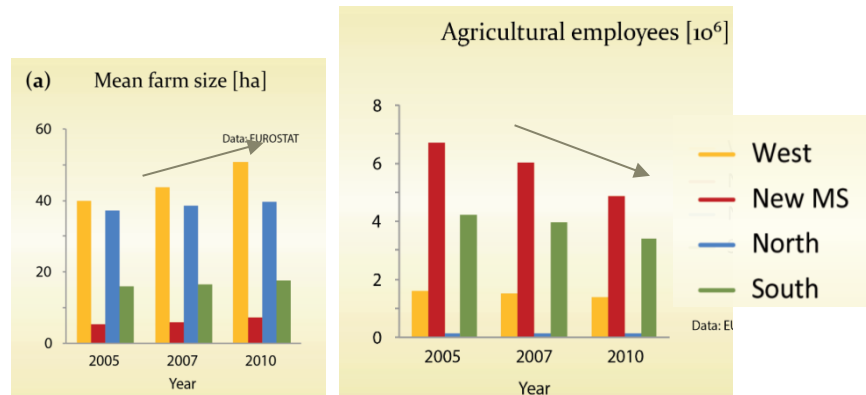


Figure 23: Share of employment in agriculture, forestry and fishing in the EU-28 by type of region, 2007-2013

Source: ÖIR ([The role of the EU's Common Agricultural Policy in creating rural jobs](#))

Issues related to employment in agriculture are addressed in more detail in the chapter on farm structures

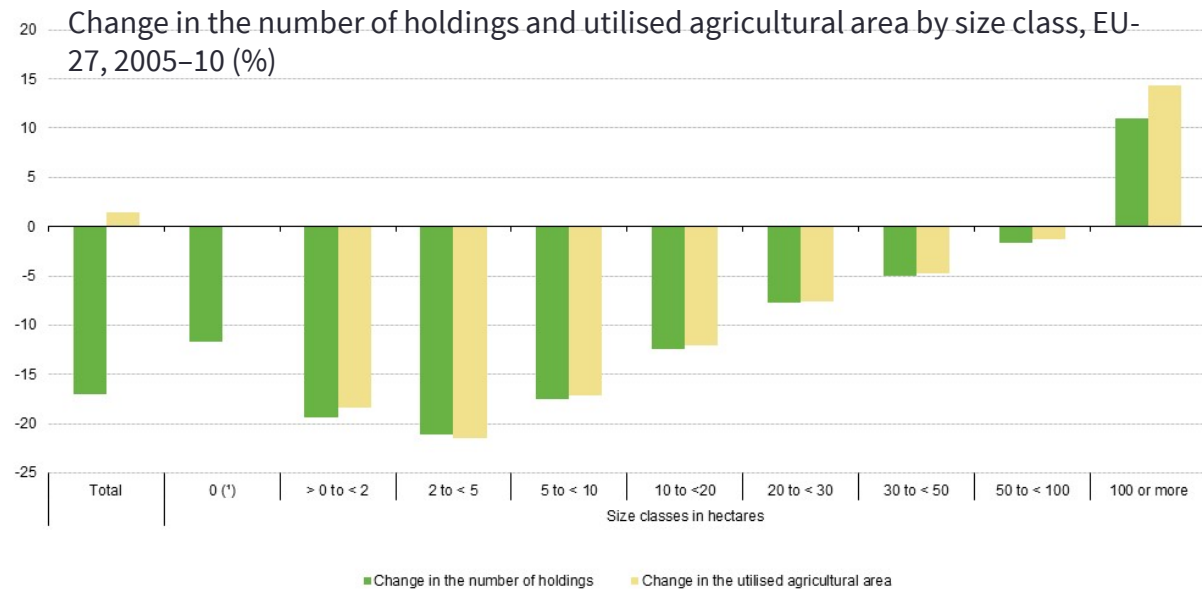
Trends: number of farms, farm employment



Decline in agriculture employees
Increase in mean Farm area

Pe'er et al. (2014): EU agricultural reform fails on biodiversity. *Science* 344: 1090-1092

- Decline in farm holdings (except largest farms)



(*) By definition the size class of farms with 0 hectares of utilised agricultural area has no change in its area.
Source: Eurostat (online data code: ef_kvaareg)

Figure 1: Output of the agricultural industry (EU-28, 2016)

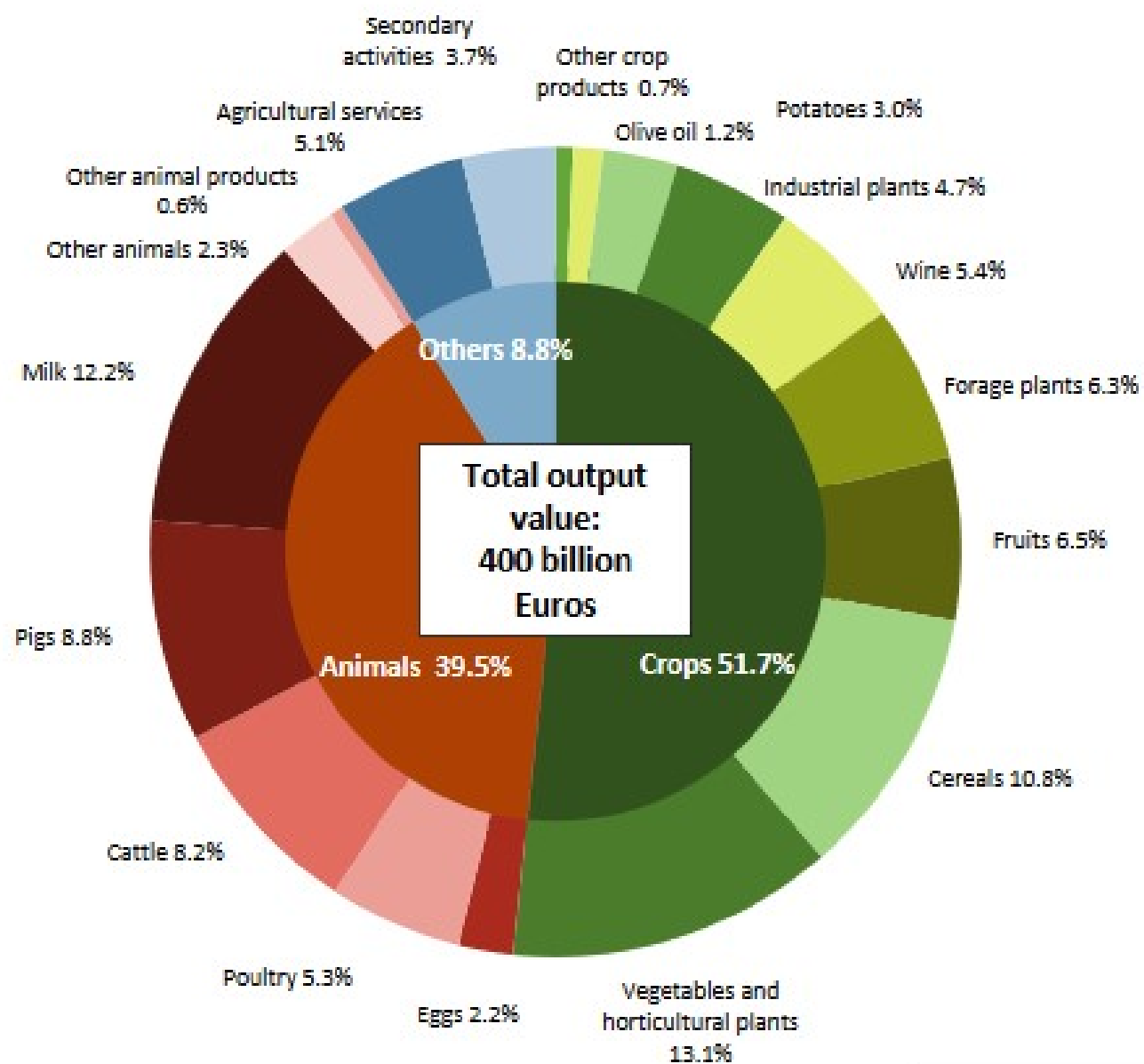


Figure 2: Intermediate inputs consumed by the agricultural industry (EU-28, 2016)

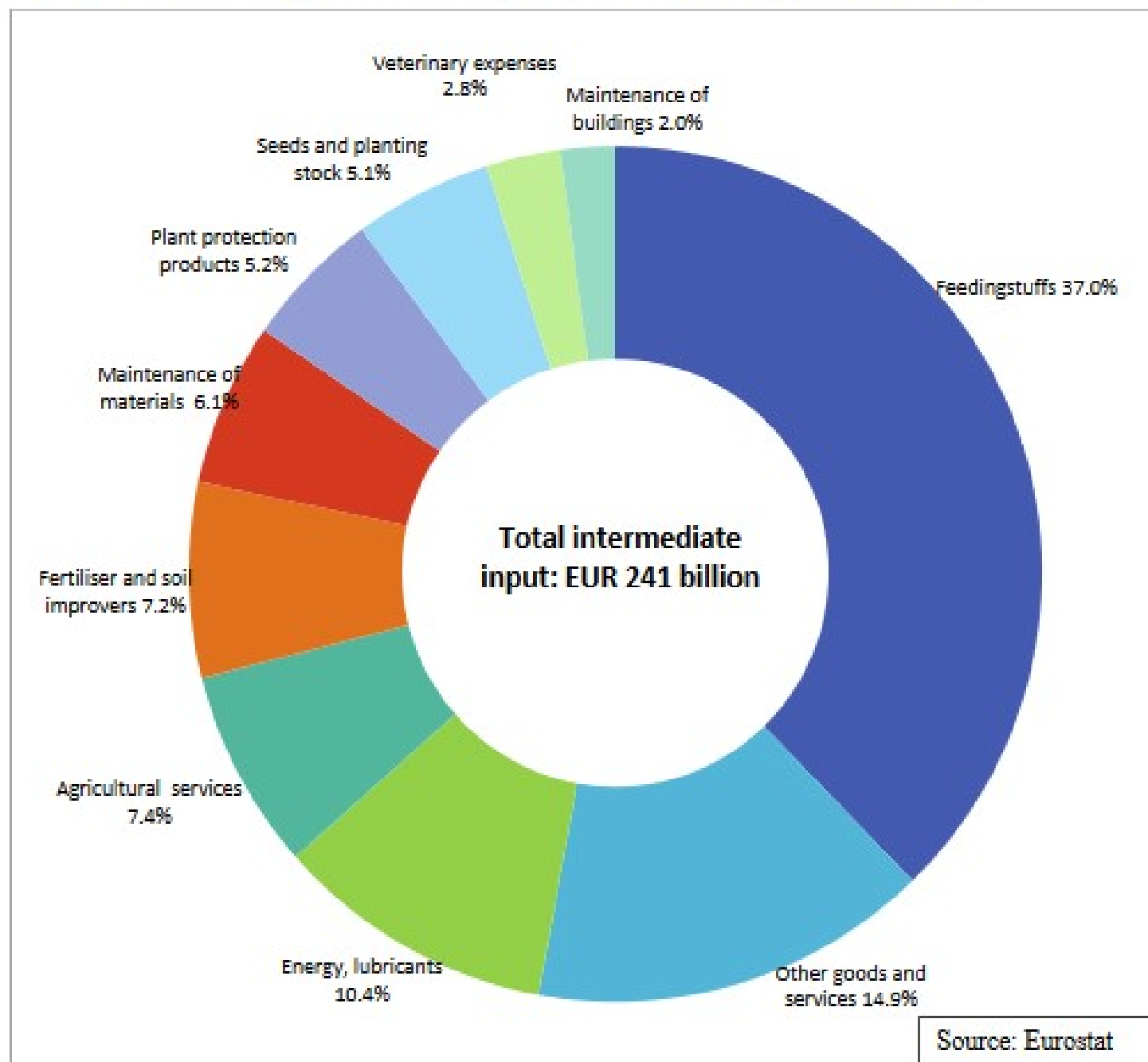


Table 1: Ranking and share of EU-28 in world production

	Average 1999-2001		Average 2014-2016	
	Ranking	EU share	Ranking	EU share
Wheat	1	10%	1	8%
Maize	3	10%	4	7%
Other coarse grains	1	33%	1	32%
Sugar	1	30%	3	10%
Beef	2	15%	3	11%
Pigmeat	2	25%	2	20%
Poultry	3	17%	3	12%
Sheep	2	11%	2	8%
Milk	1	28%	1	20%
Cheese	1	50%	1	44%
SMP	1	38%	1	33%
WMP	1	35%	2	19%
Butter	1	30%	2	22%

Source: OECD-FAO Agricultural Outlook 2016-2025

Figure 3: Output shares by country, 2016

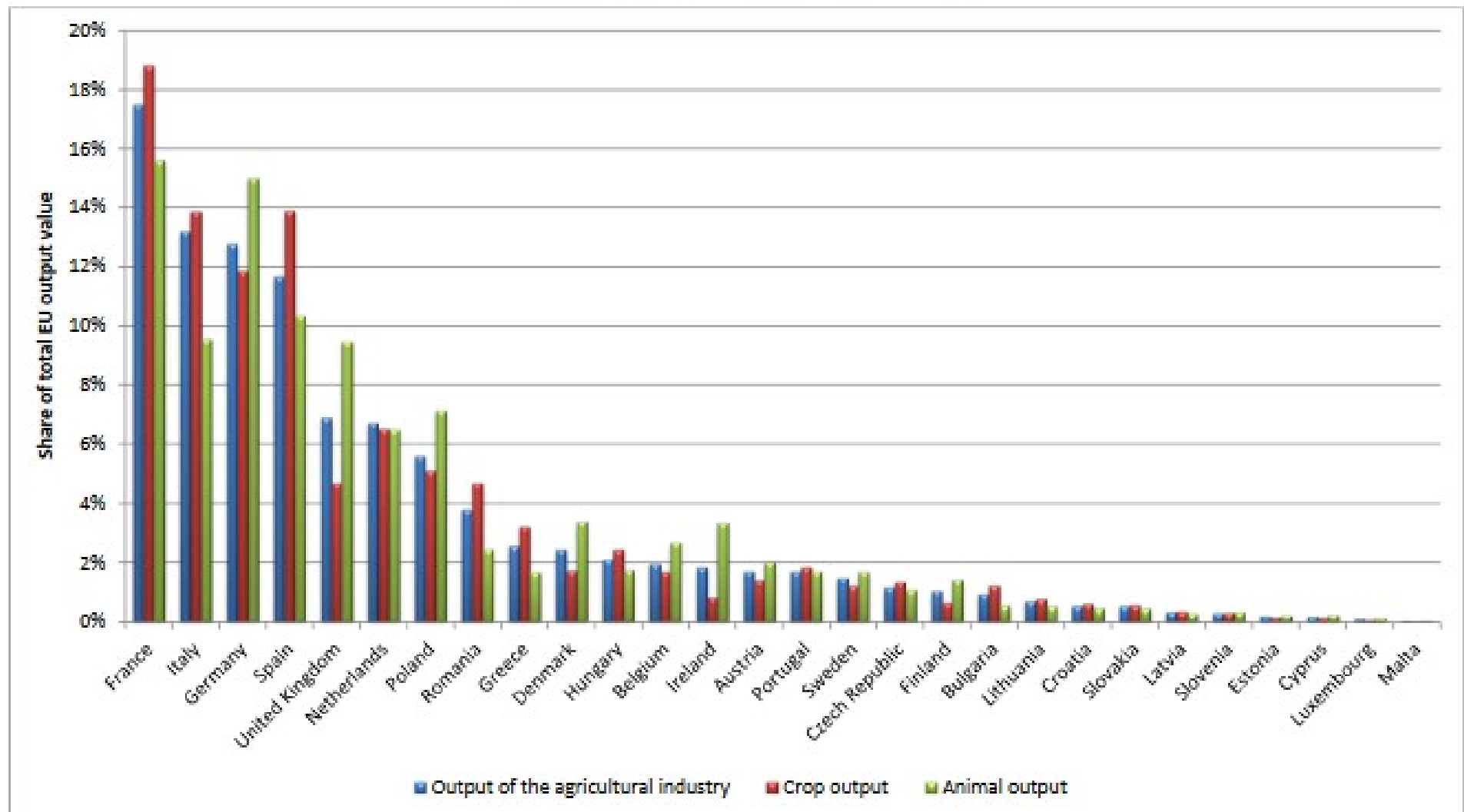
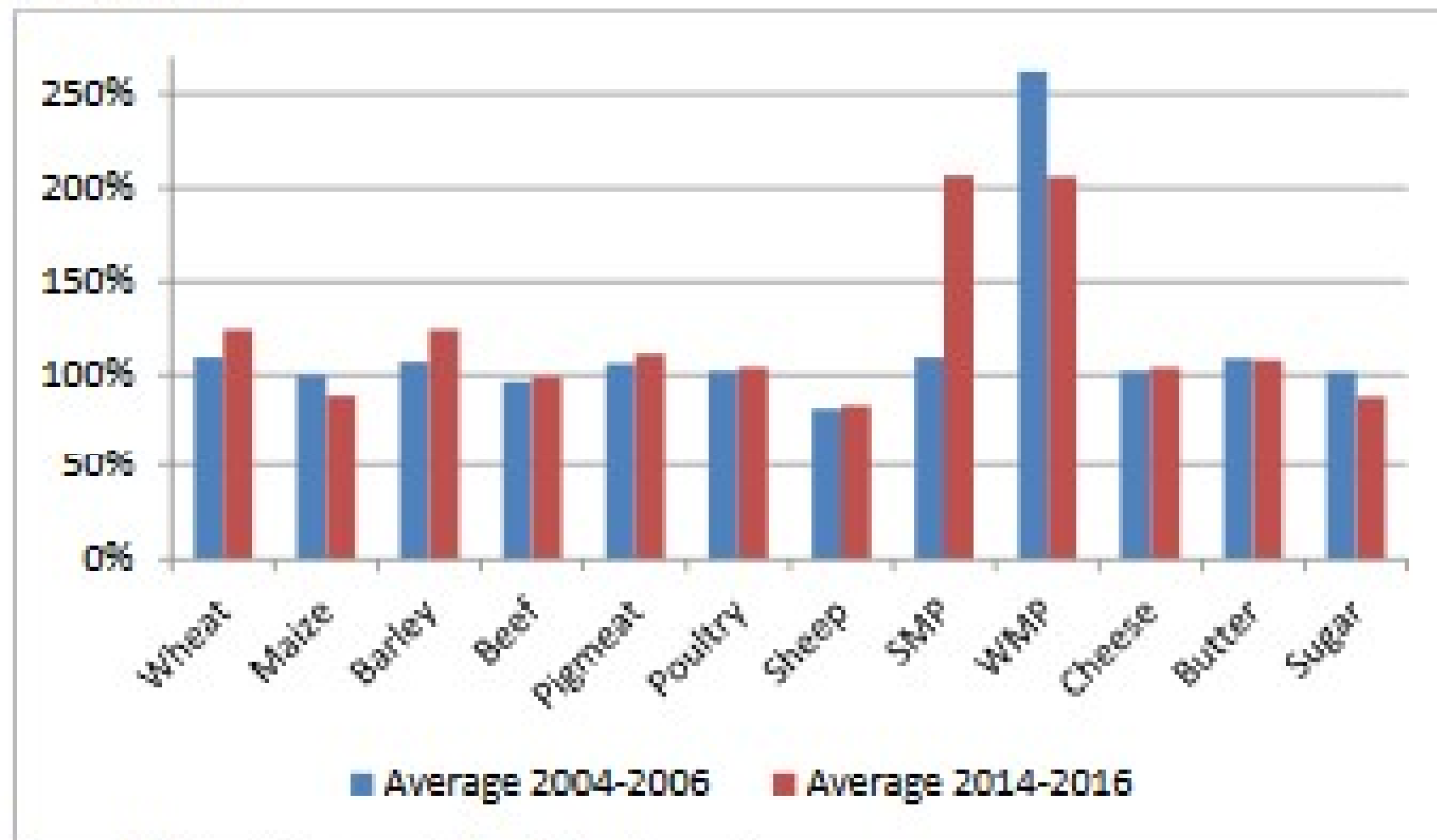
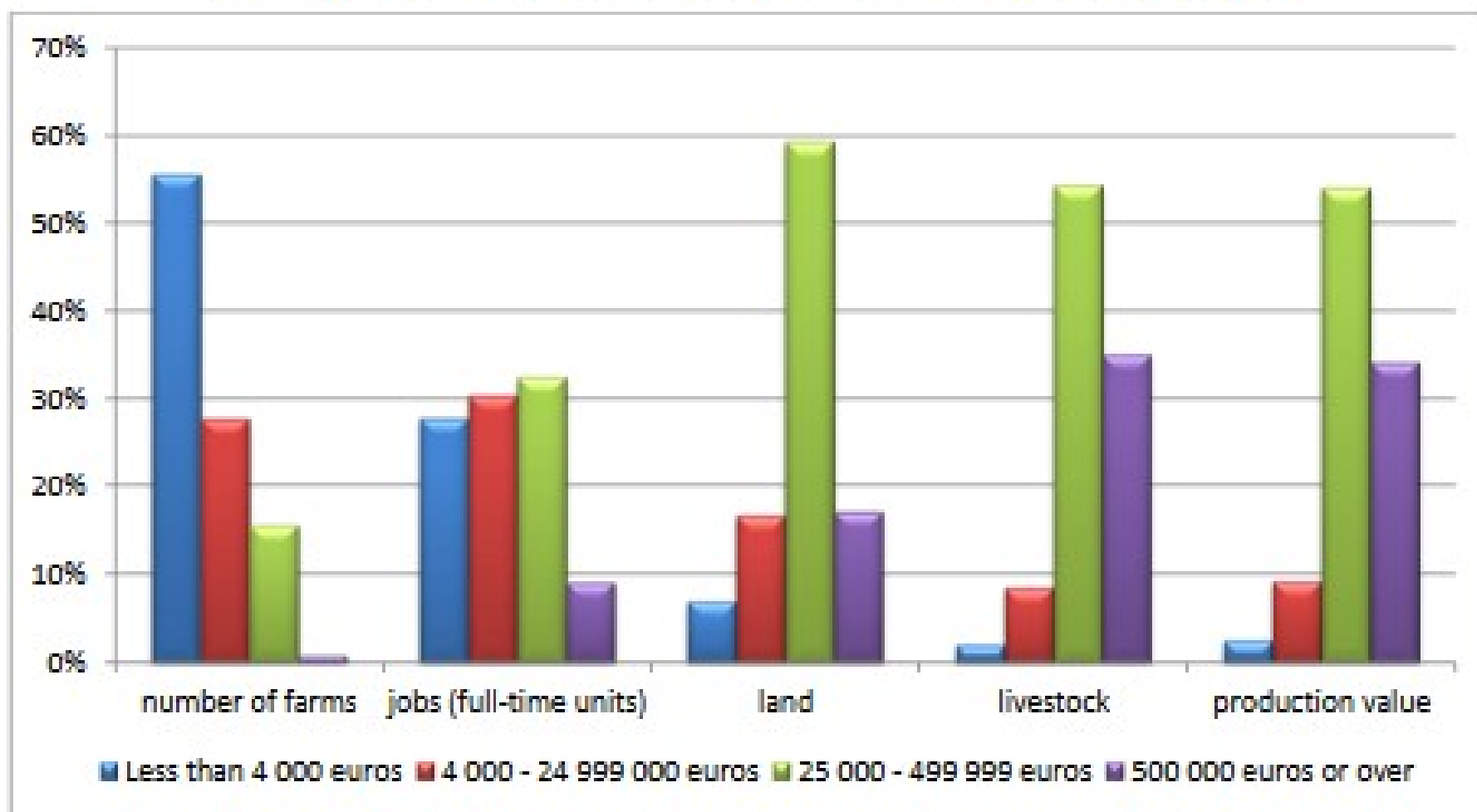


Figure 3: Development of EU self-sufficiency rate - 2004-2006 vs. 2014-2016



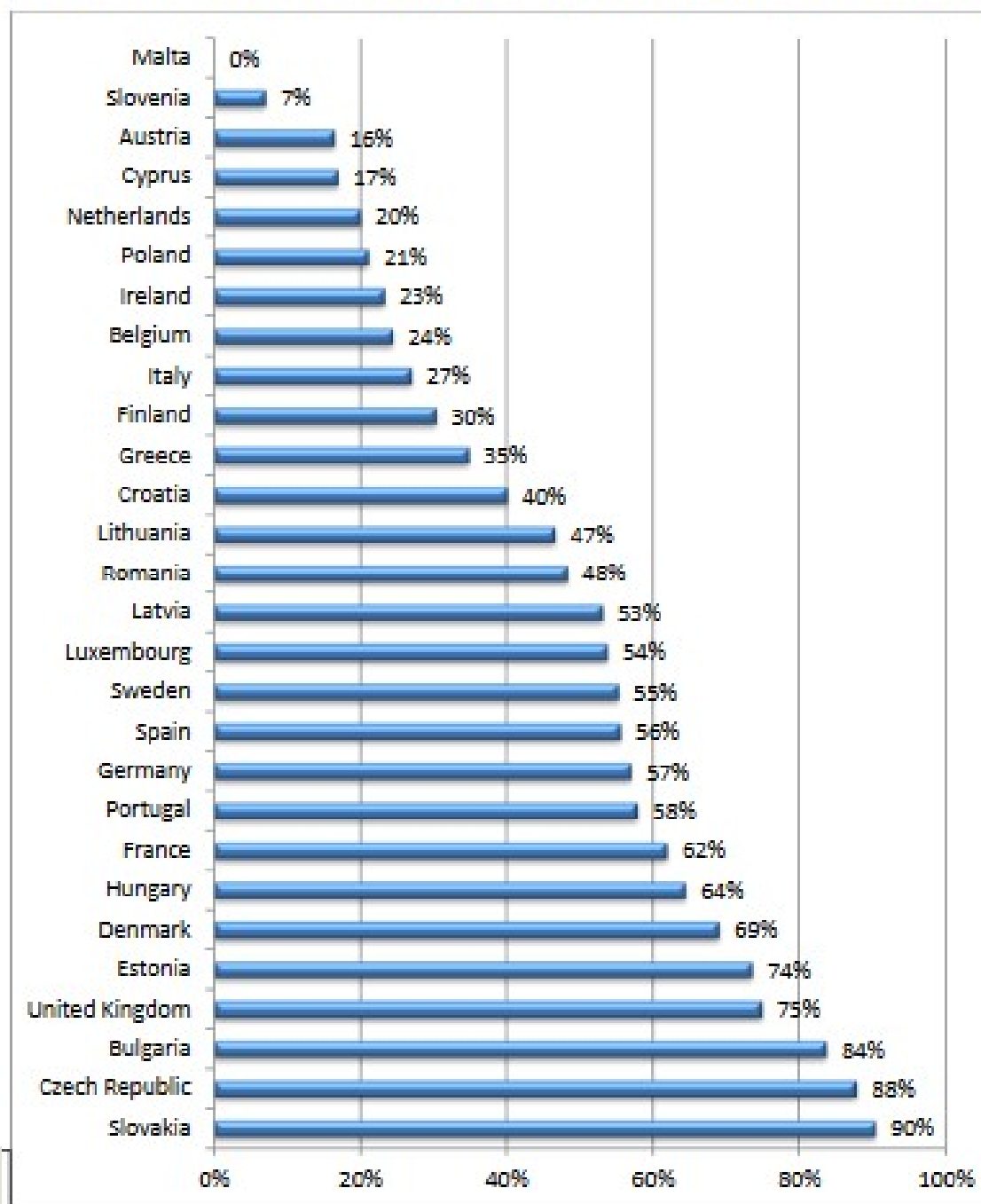
Source: DG Agriculture and Rural Development

Figure 9: Key farm parameters by economic size class, EU-28, 2013



Data source: Eurostat

Figure 5: Percentage of UAA managed by farms with 100 ha or more, 2013

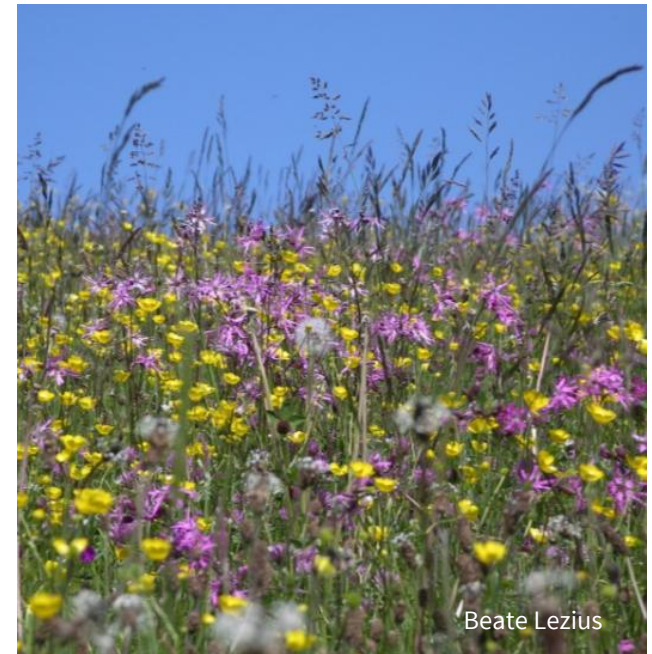


PART II: ZOOM: AGRICULTURE AND ENVIRONMENT (NATURE)

Agriculture and biodiversity

Agriculture...

- **has a key role in producing public goods**
(landscapes, farmland biodiversity, climate stability, resilience to flooding, drought and fire)
- **allowed many species to flourish in Europe in the last millennia**
- **can put huge pressure on environment**
(soil depletion, water shortages and pollution, loss of biodiversity and landscape features)



Beate Lezius

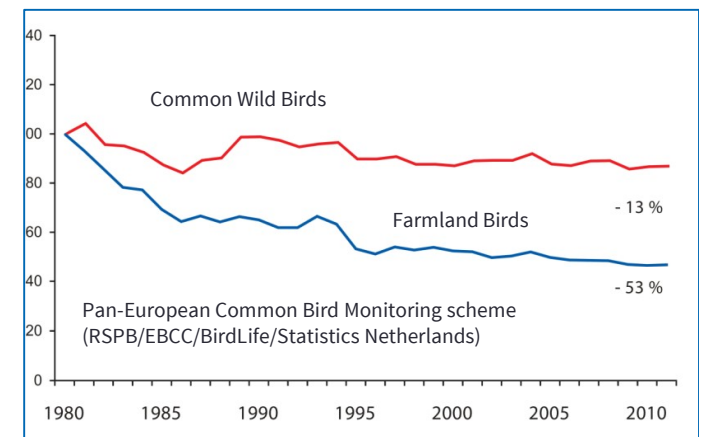
Disaster facts

EU Nature Report: Status

- 64 % of grassland species (non-birds) and 86 % of grassland habitats unfavourable
- 70 % of cropland species (non-birds) unfavourable

Trends 1980 - 2012

- Grassland habitats: massive deterioration
- Common farmland birds and grassland butterflies: approx. **- 50 %**
- Black-tailed Godwit: **- 37 % (DE - 75 %)**
- Turtle Dove **- 77 % (UK - 95 %)**
- Skylark **- 51 %**
- Lapwing **- 60 % (DE - 75 %)**



1990



2015



Lapwing: - 75 %

1990



2015



Partridge: - 94 %

The insect crisis

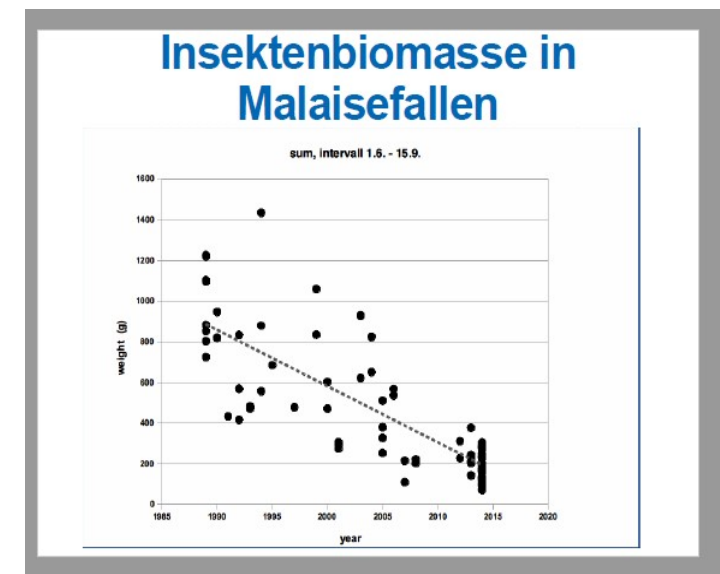
EU Red List of Bees

- 9.1 % of species threatened with extinction (30 % of these endemic to Europe)
- Trends for 80 % of species unknown

Local studies Western Germany

- Locally now around 60 % of bumblebees and butterfly species extinct
- Biomass of flying insects declined by 70-80 % in 25 years

A major **ecological disaster** seems to be underway, and **agriculture** is in the middle of it!



We know the causes of the crisis

Removal of
diversification elements

Conversion of semi-
natural habitats

More and more
winter cereals

Increase of
insecticides/herbicides

Ploughing permanent
pastures

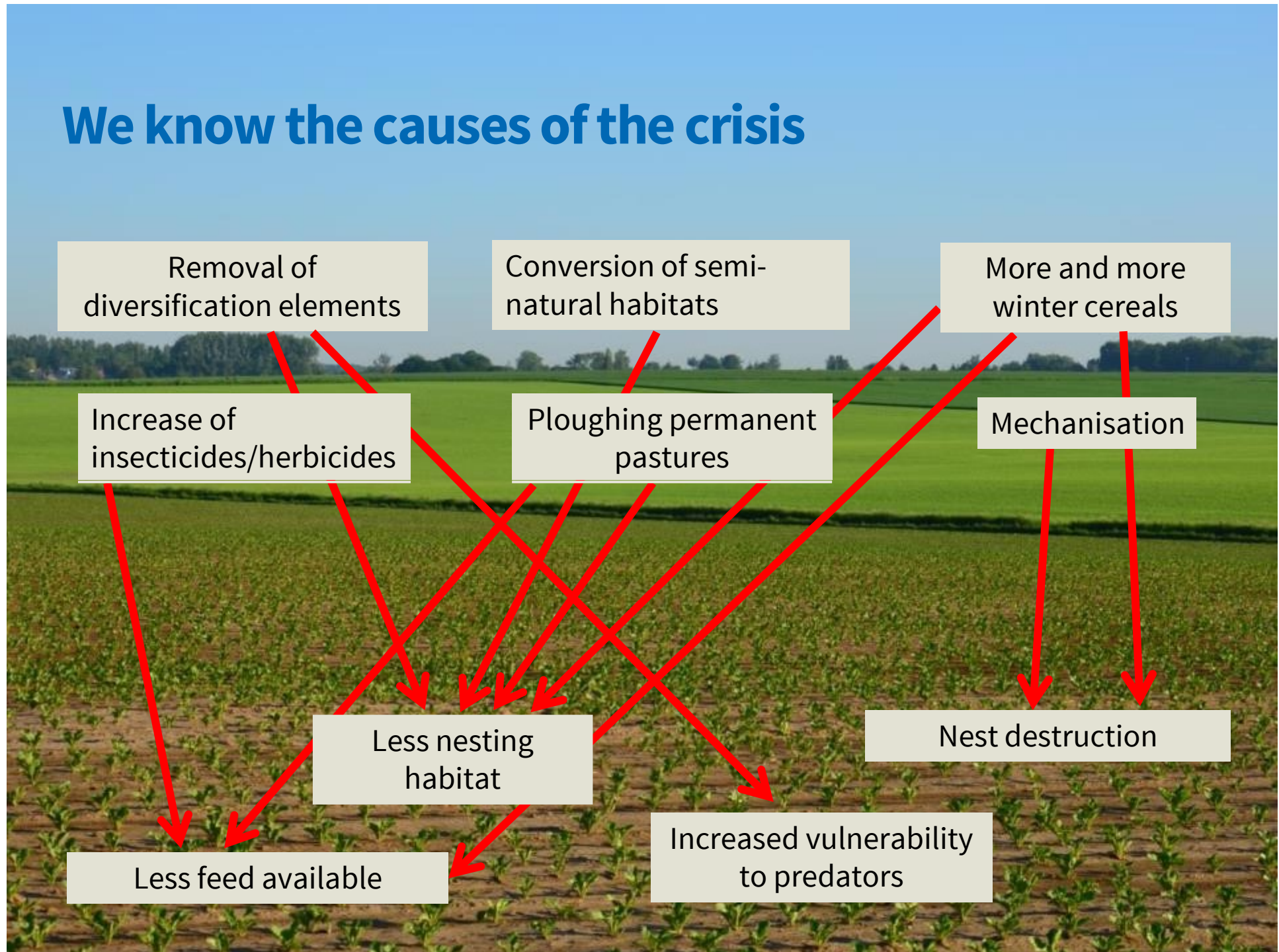
Mechanisation

Less nesting
habitat

Nest destruction

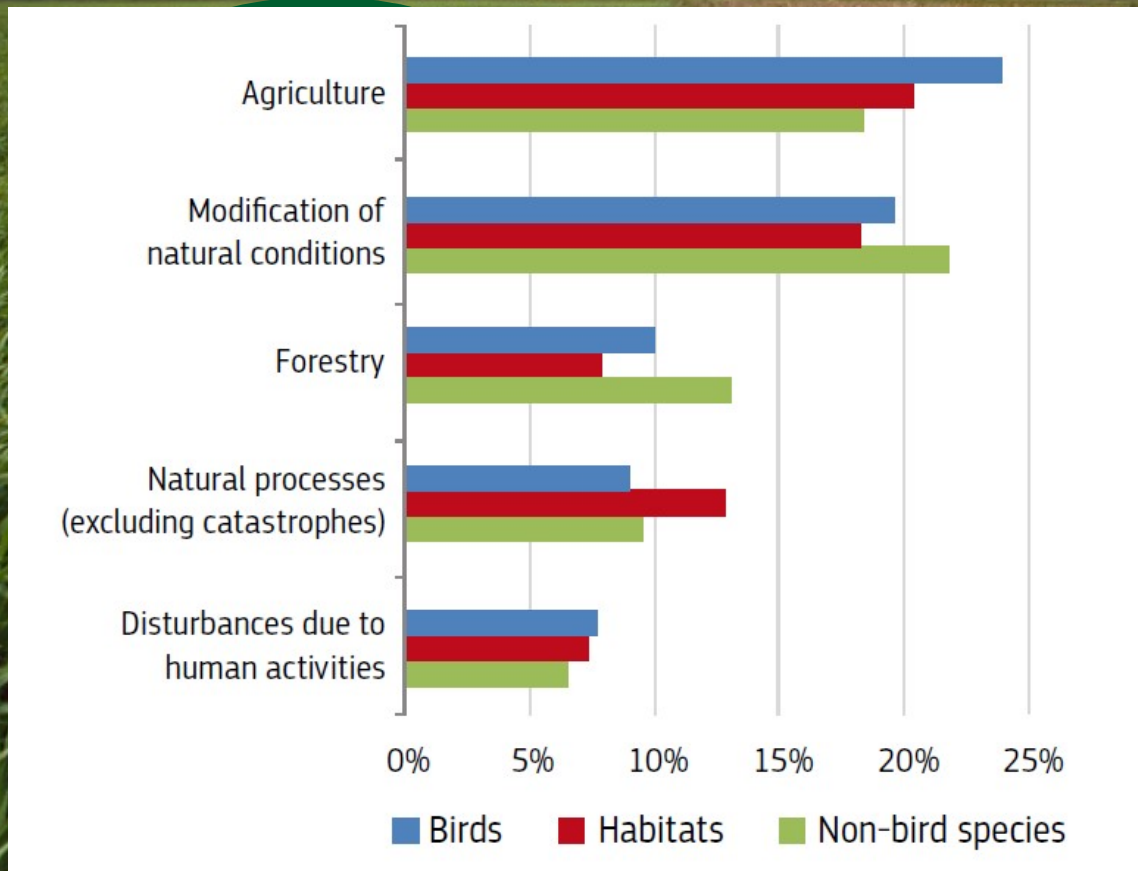
Less feed available

Increased vulnerability
to predators



Reasons for biodiversity loss

EU State of Nature Report 2015 based on Member State info



European Commission (2015): The State of Nature in the EU, p.32

PART III: THE CAP OF TODAY

The current structure: 2 pillars, 4 regulations, 2 funds

European Agricultural Guarantee Fund (EAGF) – also includes promotion and school fruit scheme, etc.



Pillar 1:

Annual direct payments to “active” farmers (mandatory greening, young farmers, etc. (Direct Payment Regulation (EU) No 1307/2013)

Market measures Regulation (EU) No 1308/2013

European Agricultural Fund for Rural Development (EAFRD)



Pillar 2:

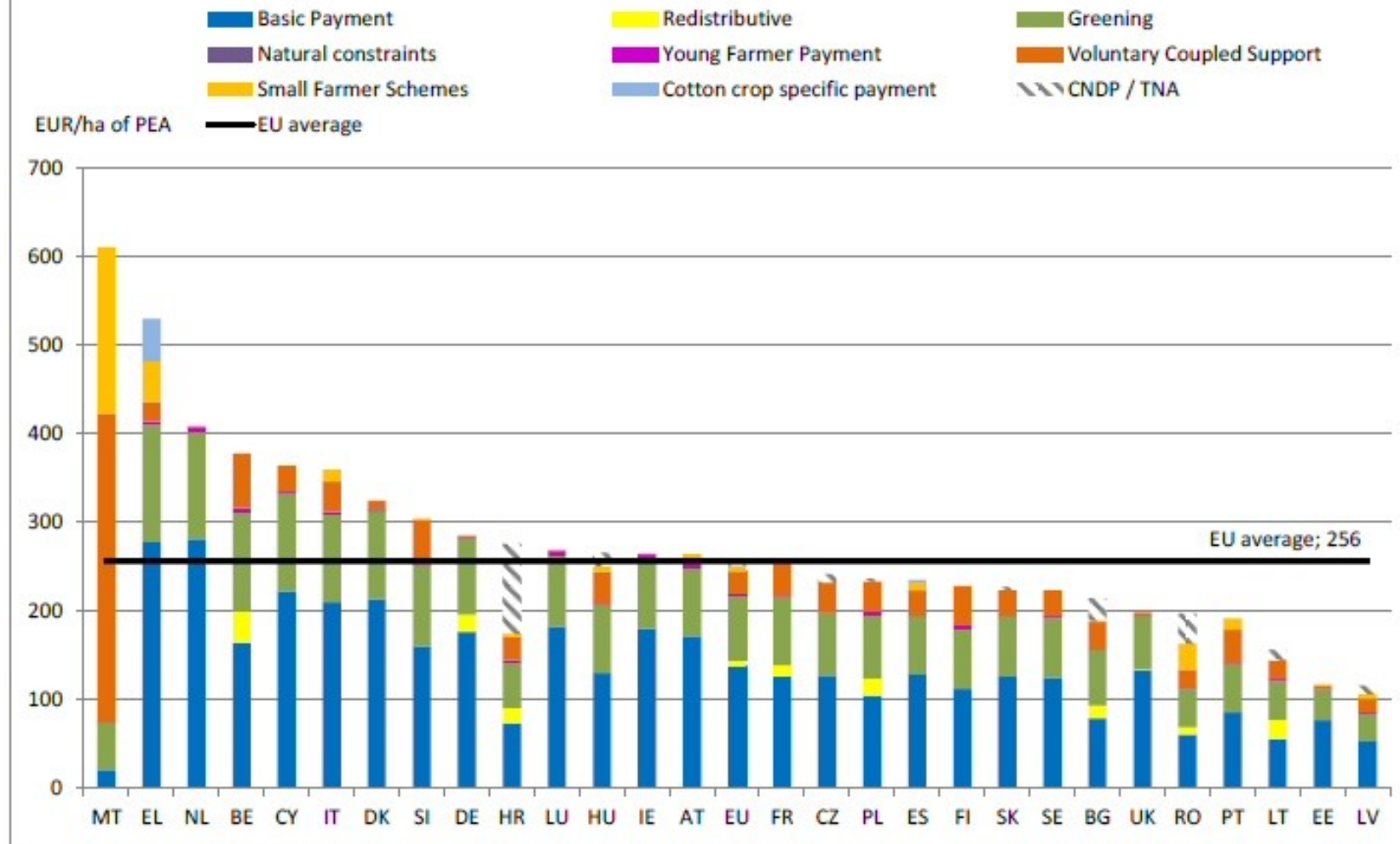
Multi-annual rural development schemes programmed by Member States/regions based on 6 priorities Regulation (EU) No 1305/2013

Financing and monitoring (horizontal Regulation (EU) No 1306/2013): rules for CAP expenditure, farm advisory system, control systems and cross-compliance

Pillar 1: measures

- basic payment (#/ha)
- a 'green' direct payment for agricultural practices beneficial for the climate and the environment,
- a payment to young farmers,
- (where applied) a redistributive payment to provide improved support to small and middle-size farms,
- (where applied) payments for areas with natural constraints,
- (where applied) a small farmers scheme,
- and (where applied) voluntary Support coupled to production

DP expenditure per ha of PEA by MS - 2015



PEA: Potentially Eligible Area: it corresponds to the total area declared by beneficiaries and potentially eligible for payment.

CNDP: Complementary National Direct Payments.

TNA: Transitional National Aids.

The Small Farmer Scheme (SFS) is financed by a share of the envelope of each other scheme.

Those amounts do not take into account the amounts transferred to Rural Development further to the flexibility between pillars (but they do include the amounts transferred from Rural development to Direct Payments).

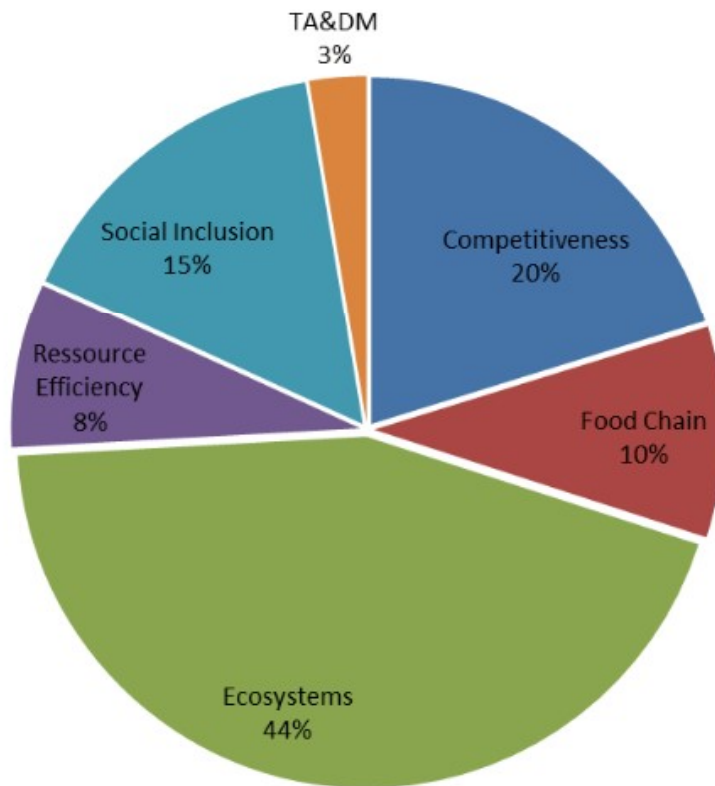
The data do not cover the POSEI programmes for outermost regions (POSEI), the measures in favour of the smaller Aegean islands nor the reimbursement of financial discipline (some 400 million EUR at EU level).

Source: AGREX EU for DP expenditure, MS notifications in ISAMM for CNDP/TNA and MS reports to CATS for PEA.

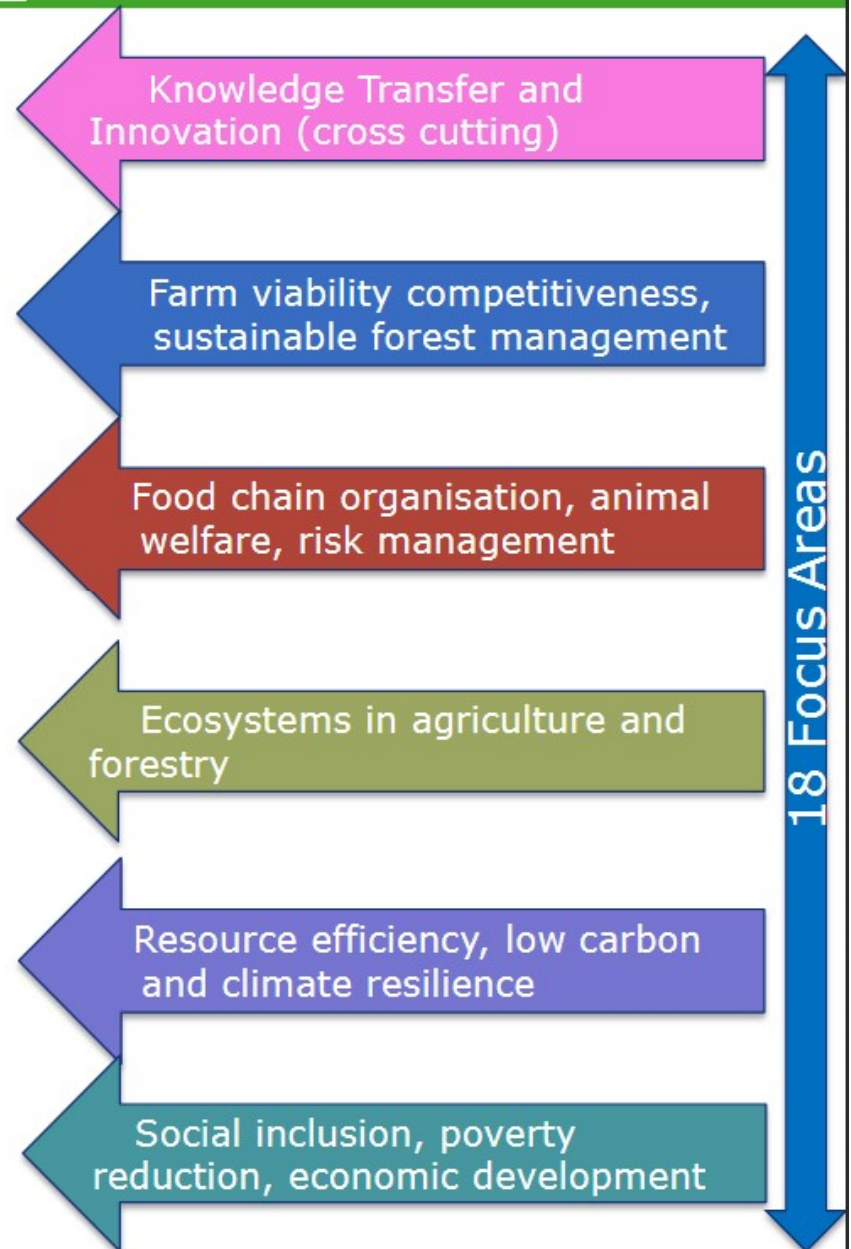
Pillar 2: measures

- 118 Rural Development Programmes
- Over 20 different measures
 - Investments, Risk management, Farm and business development
 - Agri/Forest-environment-climate, organic farming, animal welfare, Natura 2000 and Water Framework Directive
 - Areas of Natural Constraints
 - Leader, Cooperation
 - Basic services and village renewal
 - Knowledge transfer, Advisory services
 - Technical assistance
 - Producer Groups, quality schemes

Share of funds per RD priority



Agriculture
and Rural
Development



The figures: 2014-2020 programming period

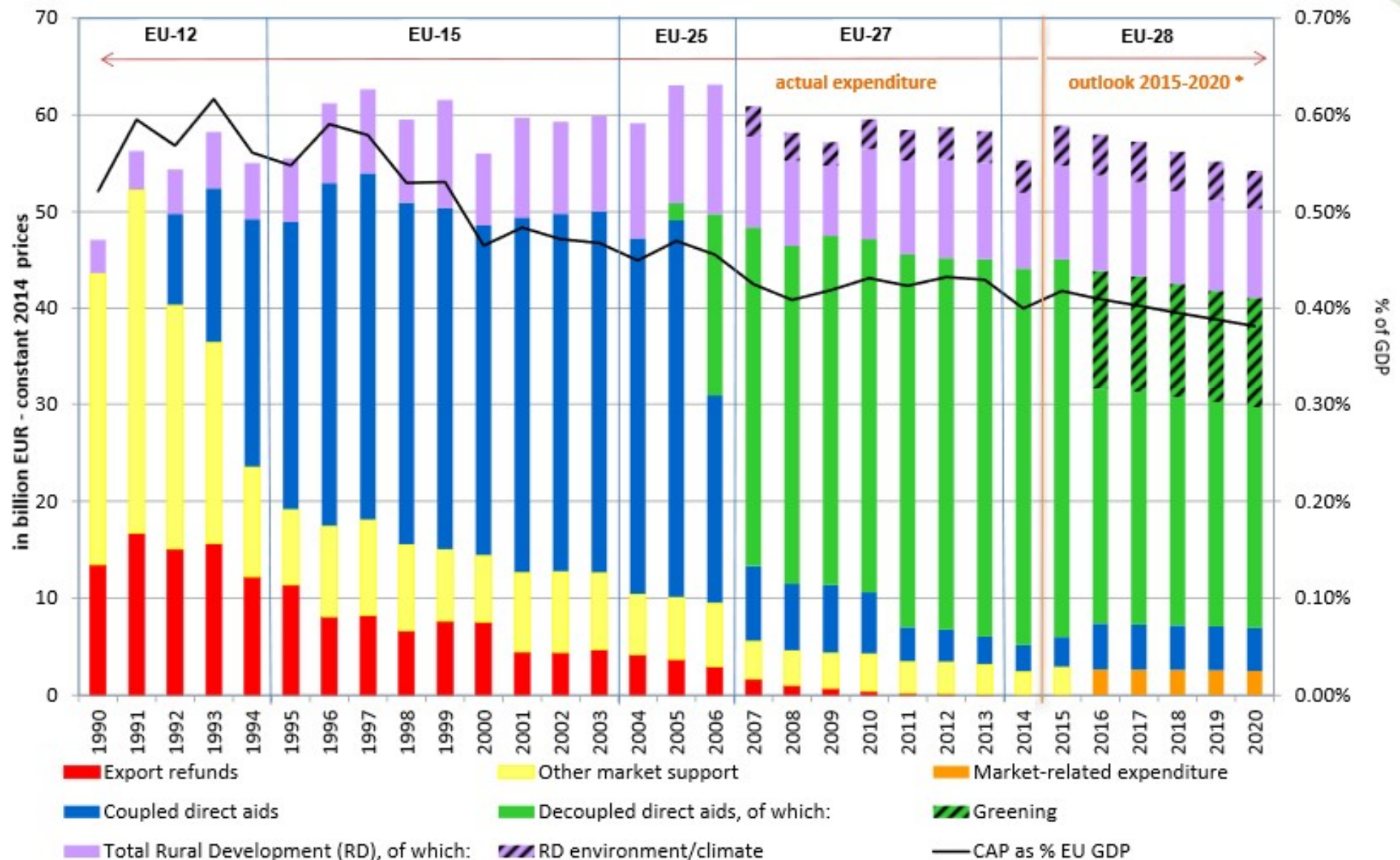
The **CAP 2014-2020** accounts for **38 % of the EU budget**.

Under the 2014-2020 Multiannual Financial Framework, a total of **408.31 billion Euro** is earmarked for the CAP.

This falls under **Heading 2: Preservation and management of natural resources** - apart from the CAP, it also includes the common fisheries policy, and environmental measures.

The largest part (**Euro 308.72 billion**) is allocated to the first pillar (of which 293 billion for direct payments), whereas the remaining **Euro 99.6 billion** is allocated to the second pillar (which is topped up to Euro 161 billion with other public money).

It was once quite a different story ...



*) 2015: budget amounts; 2016-2020: Annex III Regulation 1307/2013 broken down based on notifications by March 2015, coupled direct payments including POSEI and SAI direct payment component and Annex I Regulation 1305/2013

PART IV: A HISTORY OF REFORMS

The CAP: its origin

- Western European countries coming out of the war
- Six countries create the EEC (forerunner of the EU) in 1957
 - agriculture included as part of the common market
 - Handing over real power to the community level
- CAP objectives enshrined in the Treaty of Rome (art 39)
 - a. To increase **agricultural productivity** by promoting technical progress and by ensuring the rational development of **agricultural Production** and the optimum utilization of the factors of production, in particular labor;
 - b. thus to ensure a **fair standard of living** for the agricultural community in particular by increasing the individual earnings of persons engaged in agriculture;
 - c. to **stabilize markets**;
 - d. to ensure the **availability of supplies**;
 - e. to ensure that supplies reach consumers at **reasonable prices**.

The CAP: its creation (1962)

Principles

- a. Free intra-community trade;
- b. Community preference;
- c. common financing

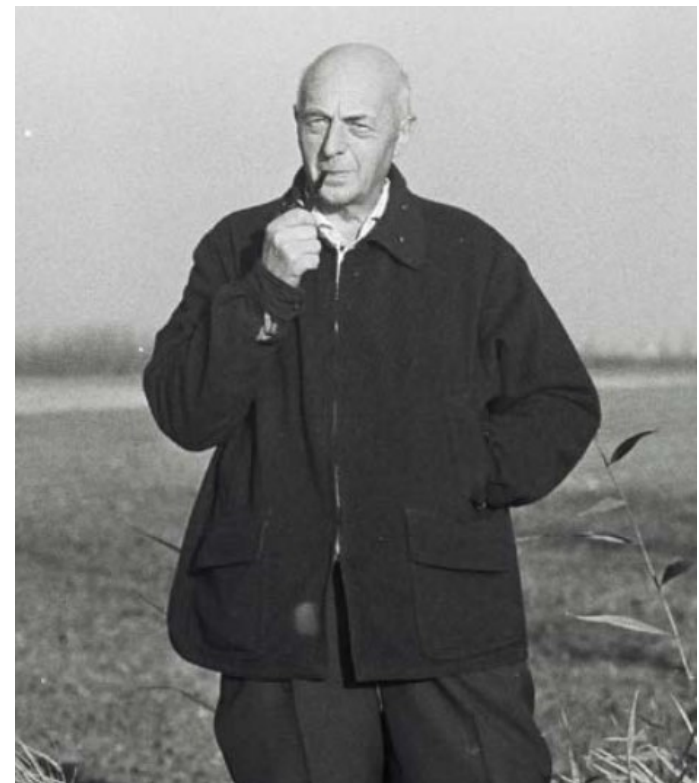
The start of:

- common market organisations for 6 agri products,
- competition rules,
- a schedule to assist intra-community trade for dairy products, beef and veal was introduced,
- establishment of the European Agricultural Guidance and Guarantee Fund

Mansholt: policy entrepreneur and farmer

“Only” 3 new directives in 1972

- concerned the modernisation of agricultural holdings,
- the abandonment of farming
- the training of farmers



The 80-ies: food mountains

- move towards self sufficiency
- permanent surpluses
 - exported, with the help of subsidies, (expensive, market distortions,
 - stored
 - disposed within the EU.
- 1984: milk quotas (sugar quotas already existed)
- 1988: max ceiling CAP budget + limit quantities guaranteed for support



The 1992 Reform - MacSharry

WTO – Uruguay round as one of the key drivers

- shift from product support (through prices) to producer support (through income support, direct payments)
- Creation of set aside
- Limit stocking levels
- Encourage retirement and afforestation



Agenda 2000

- established economic, social, and environmental goals within the objectives of the CAP
- small further reduction in market distortions
- start of the rural development policy

>> Already under the leadership of Franz Fischler

The 2003 Reform – Fischler Reform

Another policy entrepreneur – using the Iraq war to get one of the most radical reforms of the CAP:

- decoupling: consolidated shift to income support by the introduction of a single payment scheme
- introduction of the 'cross compliance'
- modulation between pillars



The 2013 Reform: The Ciolos reform

- public money for public goods
- introduction of greening
- producer support
- small farmers



PART V: THE LAST REFORM IN MORE DETAIL

The premise of last CAP reform

The debate for 2014-2020

- Real pressure on the EU budget – Budget and Agri debate at same time
- Public money for public goods
- Context: EU Biodiversity Strategy
 - Target 3:
“Maximise areas under agriculture across grasslands, arable land and permanent crops that are covered by biodiversity-related measures under the CAP”
- first time Co-Decision with 28 Member States
- Food security as a major driver of the public debate

The CAP reality

The money - progressive part of CAP goes down

- Rural development budget has been slashed by 13.4 % compared to previous period
- 5 countries (HR, MT, PL, SK, HU) will transfer around 3 billion Euro from second to first pillar



CAP Greening

Lifting the baseline with greening?

Ecological Focus Area - an empty shell?

- N fixing crops vs landscape elements
- Use of pesticides is ~~allowed~~

Permanent grassland – avoid destruction?

- Only 8 MS designated all grasslands
- 6 MS designated < 1/2 grasslands

Crop diversification – stop monoculture?

- 1/4 of arable land exempted
- Monoculture deemed green (FR)



Rural Development

Good intentions & numbers

- MS were asked to maintain the 2007-2013 level of efforts + spend 30% on environment & climate measures
- MS were asked to increase targeting in AEM (ECA)
- Agri-environment: 16.8 % of total public expenditure
- Total agricultural land under contracts supporting biodiversity and/or landscapes: 19 %



Rural Development

Too often sad reality

- AEM budgets reduced and targeted biodiversity schemes missing or underfunded (e.g. FI, PL, SI, SK, DE, ...)
- Decades of conservation work at risk of being lost (e.g. Emilia Romagna - IT)
- Money going to arable farming where grassland is the problem (e.g. LV, ES, ...)
- Positive exceptions exist (e.g. AU) – increased budget for targeted, good AEM



The reality of the premise

INSIGHTS | PERSPECTIVES

AGRICULTURE POLICY

EU agricultural reform fails on biodiversity

Extra steps by Member States are needed to protect farmed and grassland environments

By G. Pe'er^{*,†}, L. V. Dicks, P. Visconti, R. Arlettaz, A. Báldi, T. G. Benton, S. Collins, M. Dieterich, R. D. Gregor, F. Hartig, K. Henle, P. R. Hobson, D. Kleijn, R. K. Neumann, T. Robijn, J. Schmidt, A. Schwartz, W. J. Sutherland, A. Turbé, F. Wulf, A. V. Scott

In December 2013, the European Union (EU) enacted the reformed Common Agricultural Policy (CAP) for 2014–2020, allocating almost 40% of the EU's budget and influencing management of half of its terrestrial area. Many EU politicians are announcing the new CAP as “greener,” but the new environmental prescriptions are so diluted

Target 3a
Increase the contribution of agriculture to maintaining and enhancing biodiversity.

No significant progress towards the target

The continuing decline in the status of species and habitats of EU interest associated with agriculture indicates that greater efforts need to be made to conserve and enhance biodiversity in these areas. The common agricultural policy (CAP) has an essential role to play in this process in interaction with relevant environmental policies.

The CAP reform for 2014–20 provides a range of instruments that can contribute to supporting biodiversity. If the target is to be achieved, these opportunities need now to be taken up by Member States on a sufficient scale. Local examples demonstrate successful sustainable agricultural practices. If implemented more broadly, they could put the EU back on track to achieve the target by 2020.

AMBITION. When the Commission launched the latest CAP reform in 2010, it outlined three main objectives: food security, environment and climate change, and maintaining the territorial balance and diversity of rural areas (Pillar 2). To help address the second challenge, 30% of direct payments to farmers (“Pillar 1”) were to become conditional on compliance with three “greening measures”: establishing Ecological Focus Areas (EFAs) on 7% of farmed area, maintaining existing permanent grassland, and growing a minimum of three different crops on any

Other sectoral EU policies have sometimes competing objectives. Given the continuing decline of species and habitats associated with agriculture, greater efforts are needed to conserve and enhance biodiversity, through more effective integration with the CAP in order to reach biodiversity objectives. Recent reforms of

ag.org on September 29, 2014



‘Green(wash)ing’ Direct Payments

- MS choose least ambitious options
- Weakening of CC
- Reverse modulation
- Move from ‘dark green’

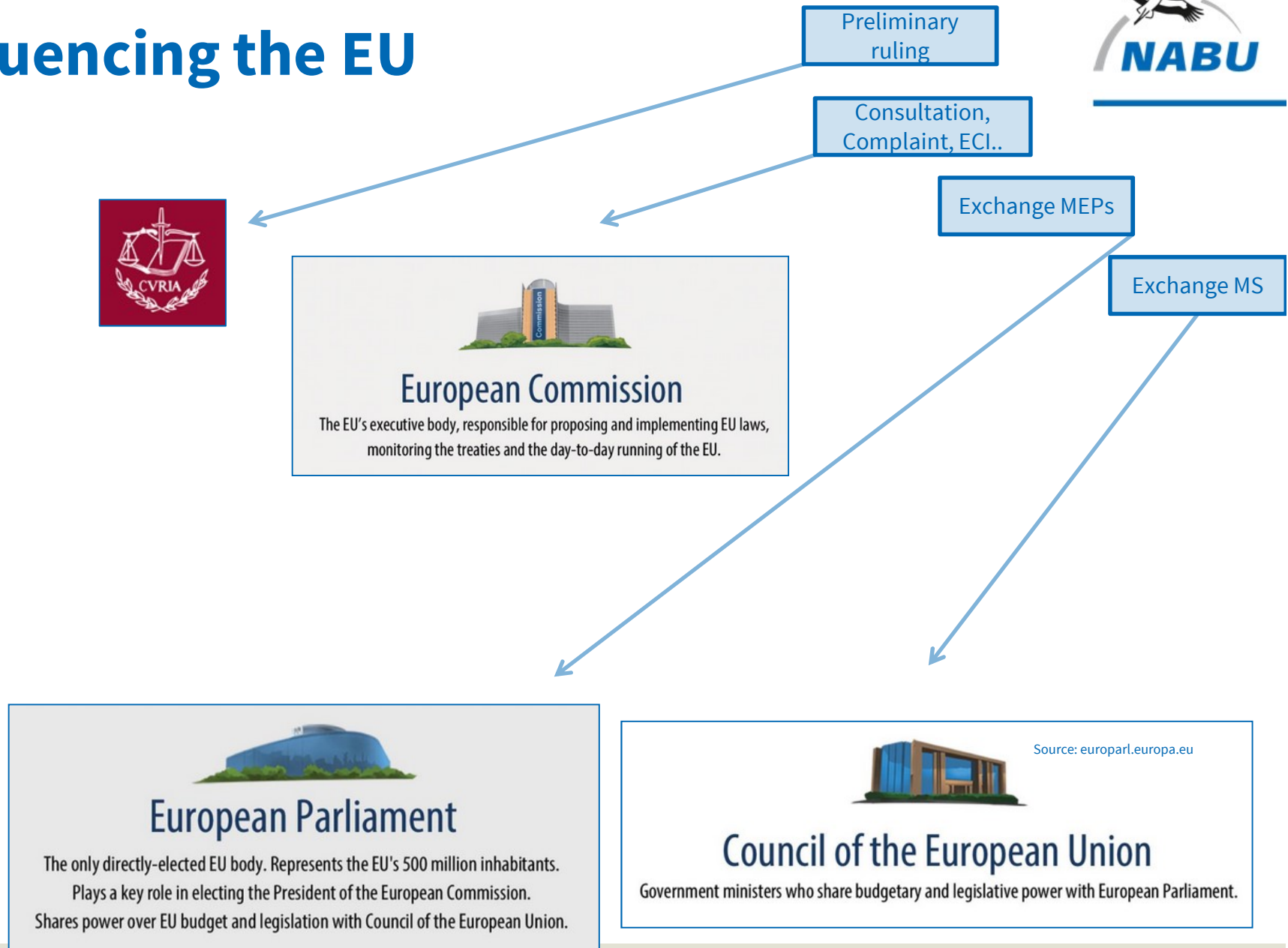
PART VI: WHERE DO WE GO NEXT?

The CAP reform post 2020

Where do we stand

- Commission's **impact assessment**: February 2017
- Commission's **public consultation**: May 2017
- Commission's **Communication**: November 2017
- Commission's Communication on **MFF** expected: May 2018
- Commission's legislative proposals on the **CAP**: May/June 2018
- **EP**: Group positioning, Report on MFF ongoing
- **Council**: debate started under Maltese Presidency 2017
- **Stakeholders**: positioning ongoing
- **Brexit**: UK scheduled to leave EU: 29 March 2019
- **Election** EP: May 2019 and appointment new Commission

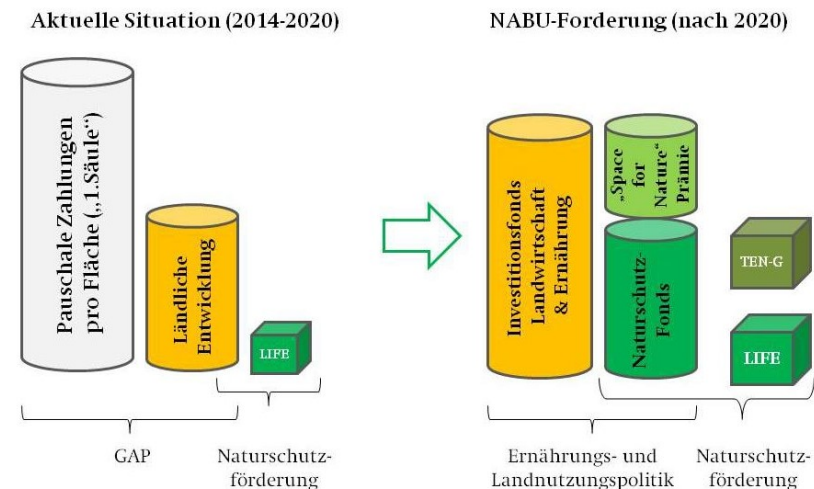
Influencing the EU



The NGO way forward

The BirdLife (and EEB) proposal

- **Transition instrument for sustainable farming:** temporary, finance switch to high-quality, nature-/animal-friendly and profitable economic model, invest in healthy, economically diverse rural areas.
- **Sustainable Food instrument:** investments to build up sustainable value chains, reduce food waste and increase the demand for healthy and environmentally sound food at fair prices.
- **Nature and Biodiversity instrument:** the central EU fund for financing about 75 % of the costs of implementation of the EU nature legislation (Natura 2000).
- **Space for Nature instrument:** an area-based entry level payment scheme for strictly non-productive elements.



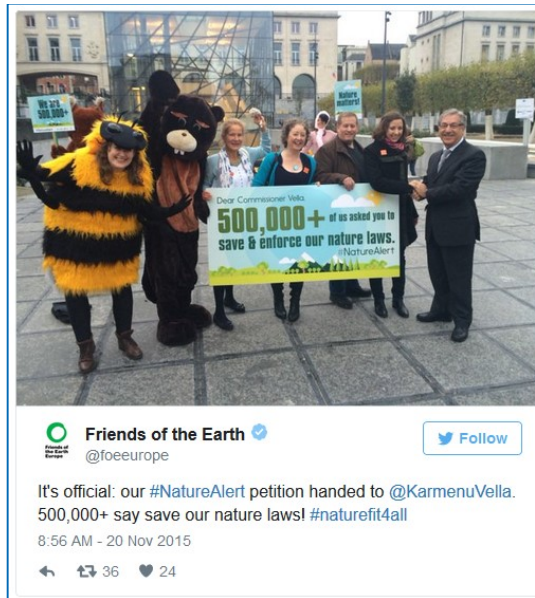
NGOs in Brussels

David versus Goliath

- Umbrellas, supported by national partners
- Advocating to EU's institutions
- Events, briefings, studies
- Legal assessments
- Good cooperation, i.e. Green 10
- Exchange back to national level
- Transparency



#NatureAlert



#LivingLand: „Wir haben es satt“ Protests (2017)



Foto: NABU

LivingLand: CAP Public Consultation 2017



LivingLand: 260,000 supporters / 600 logos



Foto: EEB/BirdLife Europe

Building the arguments: Environment



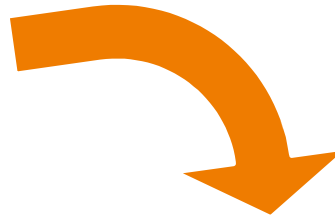
BirdLife Europe, European Environmental Bureau, NABU
Is the CAP fit for purpose?

Briefing: Evidence based fitness-check assessment¹ and lessons for policy

A detailed analysis of more than 450 publications has shown that the CAP is not fit for an environmental and a socio-economic perspective. The five "fitness check" question on efficiency and internal coherence and mixed results for effectiveness, relevance as this is just not good enough to keep justifying the billions of Euros spent on the CAP. BirdLife Europe, EEB and NABU ask for a fundamental reform. This new policy must deliver on the Sustainable Development Goals.

¹ The full study and executive summary can be downloaded on the BirdLife, EEB and NABU websites. Citation: G. Perry, S. Lohman, S. Möller, S. Chapp, J. Molitor, C. Auer, J. Burger, B. Bock, A. Bore, B. Haringberger, L. Hartmann, J. Klemm, A. Lohm, A. Sathianathan, S. Schmalzer, C. J. Schmalzer, S. Schmalzer, C. Schmalzer, W. von Hagen, Lohm, and T. Schmalzer (2015). Is the CAP fit for payment? An evidence-based fitness check as a basis for integrative biodiversity research. (2015) NABU Bonn, Germany.

Fitness Check of the CAP



Efficiency (environment)



Least effective measures receive highest support

Policy measure	Area (in Mio. ha)	Public funds (in Mio. EUR)	Relation funds to area (EUR/ha)
Greening: Ecological Focus Area (EFA)	8.00	12,638.21	789.89
<u>Agri-Environmental Measures (AECM)</u> (Including areas and payments for organic farming, but without payment for areas with natural constraints)	13.15	3,250.92	247.17
Natura 2000 (Grassland area in SCI reported as by the EU commission)	11.65	290.00	24.89

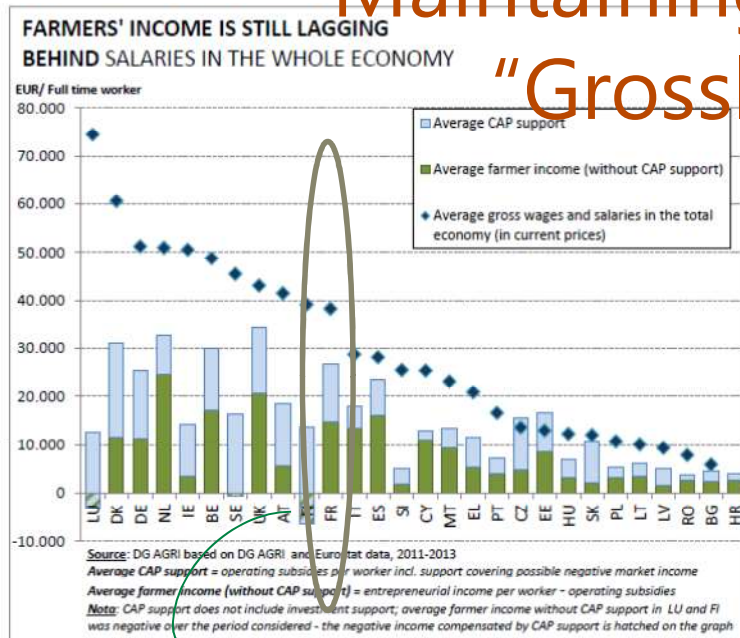
Effectiveness

Budget

Building the arguments: Sio-Economic

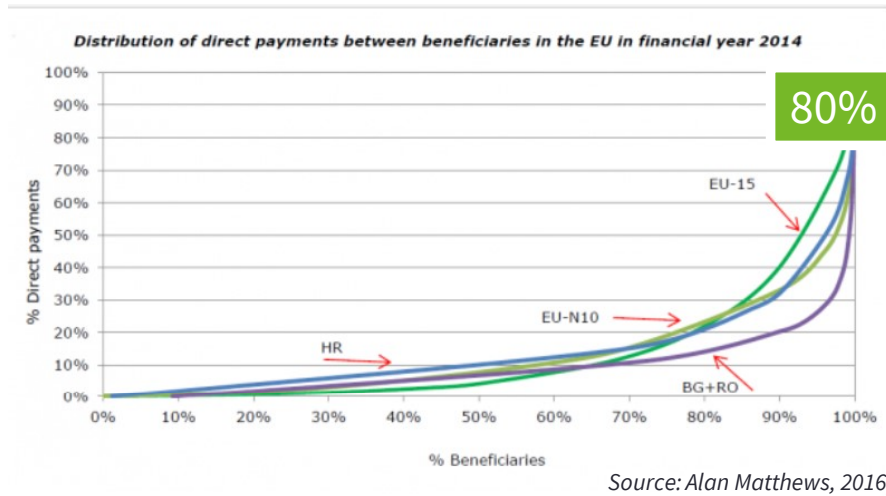
Maintaining Direct Payments based on
 "Grossly misleading"* Commission
 (2017) graph

* Prof. Alan Matthews



FRANCE (source: micro-sources)	1997 €	2003 €	Annual percentage change 1997-2003 (%)
Per household			
Average			
Farmers' households	32,310	29,890	-1.3
All households	25,570	28,410	1.8
Farmers as percentage of all households	126.4	105.2	
Median			
Farmers	27,750	27,940	0.1
All households	24,230	24,230	1.7
Farmers as percentage of all households	126.8	115.3	

Building the arguments: Fairness



80% of direct payments → 20% of beneficiaries

35% of payments → 1.5% beneficiaries

The post 2020 CAP

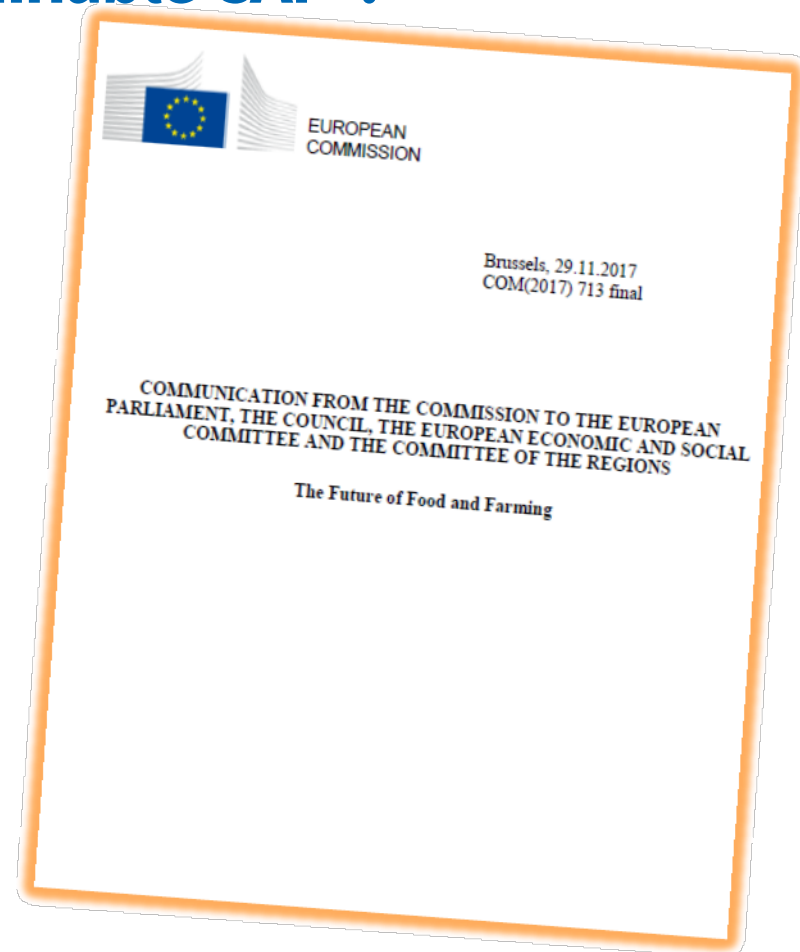
‘A Smarter, Modern and Sustainable CAP’?

Key idea:

- More flexibility for Member States
- Results driven
- EU level set objectives

But, inconsistencies:

- In denial of environmental problems of farmland
- Maintenance of Direct Payments and current structure



Why also this CAP reform will remain an interesting discussion to follow!

- Brexit
- Sustainable Development Goals and Paris Agreement
- European Elections
- Larger Public interest
- Back to the past market wise?

What do you think is the future for food and farming? The future of Europe? The future of the CAP?

Thank you for your attention!



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