



**CAP: Thinking out of the Box
Launch Report
Brussels, 27th March 2017**

On the 27th March 2017 in Brussels, the RISE Foundation launched its latest report, CAP – thinking out of the box – Further modernisation of the CAP, why, what and how?

The report was introduced by the RISE Chairman Janez Poto nik, before the authors of the report gave an overview of the report itself. Following the report's presentation, three invited respondents were invited to give their reaction to the conclusions of the report.

In his opening speech, Poto nik first outlined the imperative and urgency for change in aspects of EU agriculture and thus in the agricultural policy which drives it. This is due to food demand growth, accelerating and over use of resources, the destruction of ecosystems and the importance of meeting EU targets for the SDGs and COP21. He then went onto outline the 6 steps needed to move forward, including the need to work together to support the necessary transition across sectors to a more sustainable path.

The first respondent, to the Task Force presentations (see presentations on www.risefoundation.eu), **Nadia Calvino, Director General of DG Budget** praised the timing of the report and its release during this period of reflection (referring to the 60th anniversary of the Treaty of Rome, Commissioner Hogan's CAP consultation, the recent launch of the Juncker White Paper and the ongoing process to prepare the next MFF).

She agreed with the focus on pillar one direct payments and asking ourselves what objectives should be achieved with the policy, for example to support farm income, farm resilience by reducing income variability and compensating farms for the provision of public goods. She referred to the Tinbergen rule which says that we generally need the same number of instruments as there are policy targets – implying that a single direct payment system cannot therefore achieve all goals. Further she asked whether it is possible to achieve complex goals in a relatively simple manner?

She added that it is very difficult to quantify what is the right amount of income support required to achieve these objectives, and how to identify which farms need these payments the most. The 2013 reform was trying to address the pertinence of distribution and it will be interesting to see the results of the data on this at the end of the year to see if the new design of the CAP is working in the right direction.

She went onto refer to another of the main characteristics of the last reform which was to reduce market intervention and move towards further market orientation. Yet reality has shown us that there are some events that just cannot be foreseen with this kind of action. The Russian ban is one such example and made us question how we should deal with such specific types of risks in this sector. Here, she said, it would be good to reflect on not only what new instruments can deal with this type of risk, but not to try to devise such perfect instruments that are then not implementable. An example of this is the crisis reserve that has not yet been activated because it is not implementable in practise.

In conclusion Ms Calvino agreed that, the report poses the right questions, put the issues on the table and flags some very interesting potential ideas and solutions including better targeting of income support, the introduction of co-financing – as happens in the rest of the EU budget, suggests measures to encourage individual or collective groups of farmers to take up private risk management systems, multi-annual contract measures on a voluntary basis and learning from the second pillar and how to deal better with the tensions between the environmental protection and the complexity of the rules which are derived from trying to achieve these objectives with so few instruments.

She applauded the idea of changing the dynamic of control and sanctions to one of positive engagement of all partners, and suggested widening this beyond farmers and auditors to include the food processing industry, retailing sectors and consumers. She said that thinking that we can design the perfect policy because we can bring environmentalists and farmers to the table maybe too narrow when there are all the other stakeholders who should have their say – notably tax payers and the 500 million consumers who will be eating the food.

Whilst the report rightly focuses on the first pillar, it is important to add a point on the second pillar. When thinking about balancing territorial development, one should take a more holistic approach - do we need to have a separate approach to rural development as compared to other structural funds? She stressed the importance of simplification and the need for the rules to be understandable in order, not least, to allow us to explain the rationale of the CAP to European citizens. With the MTR for the MFF launched last September, Ms Calvino also highlighted the proposed review of the financial regulation and the omnibus proposal reviewing the rules of structural funds and most notably the CAP.

Poto nik responded that whilst the RISE Foundation are in full agreement of the need to look at agriculture as part of the wider food chain, this report has purposely focused only on agriculture, and specifically land and risk management due to the time and resource limitations of this project

The second respondent **Alan Jagoe, President of CEJA** said that it is important to recognise the role the CAP has played in supporting farm incomes, but also to acknowledge that the CAP must be re-orientated to ensure viability and sustainability in EU family farms. He emphasised that farming must be recognised as a public good in that farmers look after and improve biodiversity and improve soil structure and fertility, health and wellbeing and food production. But in order to allow farmers to do this, two important issues must be addressed. The first is generational renewal and the second is the definition of the active farmer which should be strengthened after it was weakened in the last reform. Jagoe went onto outline CEJA's position on generational renewal, positive and proactive environmental standards and sustainable economic development and called for all future policy to be 'young farmer proofed'.

He called for tools at the farm level to improve both resilience and competitiveness, some of which were at odds with those proposed by the RISE Foundation and included risk management tools such as counter-cyclical tools, coupled payments, and investment support for smart agriculture and innovation.

The final respondent **Professor Harald von Witke of Humboldt University** responded that he agreed with all aspects of the RISE report, before going on the outline the opportunity cost of replacing modern technology and science driven farming for organic farming whereby he concluded that the cost to society through the public costs of carbon emissions and indirect land use change would be higher with the organic option.

Potocnik responded that the reduction of waste and a consumption transition from a meat to a more cereal based diet would be the factors that would have the greatest impact on saving land.

After the presentations, several questions were taken from the audience including:

- Could the European budget manage CAP expenditure which shifts significantly on a yearly basis, if certain risk management measures were given much greater emphasis?
- An acknowledgement that whilst the rural development measures – as spelled out in great detail in the Cork 2.0 Conference – do not require such radical reform as the pillar 1 direct payments, the vital role of these measures both to improve agricultural development and productivity as well as wider rural diversification and development must not be overlooked.
- Encouragement to expand further the ideas developed in the report of creating private markets for public goods.
- The need to ensure that a European budget is effectively adapted to local situations if it is going to have any impact.
- The suggestion that the suggested tier of Transitional Adjustment Assistance could be implemented through a green bond scheme which would enable farmers to capitalise the stream of payments to restructure their businesses and lives for long term viability.
- A call to include recommendations from the recent high level resource use group, led by Mario Monti, on taxing fertiliser and pesticide use as a way of internalising the externalities produced by their use.
- A question on whether the other participants in the food chain were ready to take their part of the responsibility in making food production more sustainable.
- A request for thoughts on what the next steps should be to implement to procedural reform changes suggested in the report.

Allan Buckwell concluded in saying that he was glad to see that there seemed to be no real objections, at least in the room, to the suggestion that further significant reform of the CAP was needed, nor to the suggestion that the focus of that reform has to be on moving from a pillar 1 system of area based payments to one that is more targeted and output focused. He said that whilst the two-pillar structure had been a crucial element in the development of the CAP from the original commodity support system, the different financing and overlapping objectives of the two pillars were now an obstacle to progress rather than a help. It is important now to produce a situation whereby land managers are willing to change and the CAP offers constructive help to them to expedite that change. This is likely to be more effective than having farmers feel they are dragooned into doing something that makes no sense to them. He pointed out that whilst RISE deliberately left out any budgetary numbers in the diagram of the new CAP, RISE would expect that the bulk of the expenditure will be in



the central land management measures, which the Foundation describes as rural development supports. This illustrates how the RISE report and the Cork II declaration can complement each other. He finished by saying that with regard to procedural change, there are already precedents of Commission Directorates General working on proposals jointly, and co-decision engaging more than one council and EP committee. This was done by DG Env and Clima in the run up to COP21. It is clear that the holder of the pen has a great deal of influence in determining the shape of any policy going forward.

Potocnik finished by offering the RISE report as a serious contribution to how Europe can and must transform our food production system. This has to succeed to avoid what could otherwise be a long term disaster.