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The CAP post 2013: Insights to the ongoing debate

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Outline



- Introduction
- Challenges, objectives, proposals
- Insights
 - Direct payments
 - Public goods
 - Rural development
 - CAP Budget
- Conclusions

Introduction

- The CAP under debate
 - New challenges
 - Next financial period
- The role of the Commission
 - April, June and November of 2010
 - The official Communication (18/11/2010)
- The complex policy environment
 - EU2020, Budget Review, WTO Doha Round, etc.



Future challenges and objectives of the CAP

■ Challenges

- Economic (food security, market stability, food chains)
- Environmental (GHG emissions, soil depletion, water/air quality, habitats and biodiversity)
- Socio-territorial (vitality of rural areas, diversity of EU agriculture)

■ Objectives

- Viable food production
- Sustainable management of natural resources and climate action
- Balanced territorial development

Proposals for the future CAP

- Economic
 - Change the system of direct payments
 - Introduce a risk management toolkit
 - Enhance competitiveness through innovation
- Environmental
 - Enhance the provision of public goods
 - Promote green growth through innovation
 - Pursue climate change mitigation actions
- Socio-territorial
 - Support rural employment
 - Improve the rural economy and promote diversification
 - Allow for structural diversity in farming systems

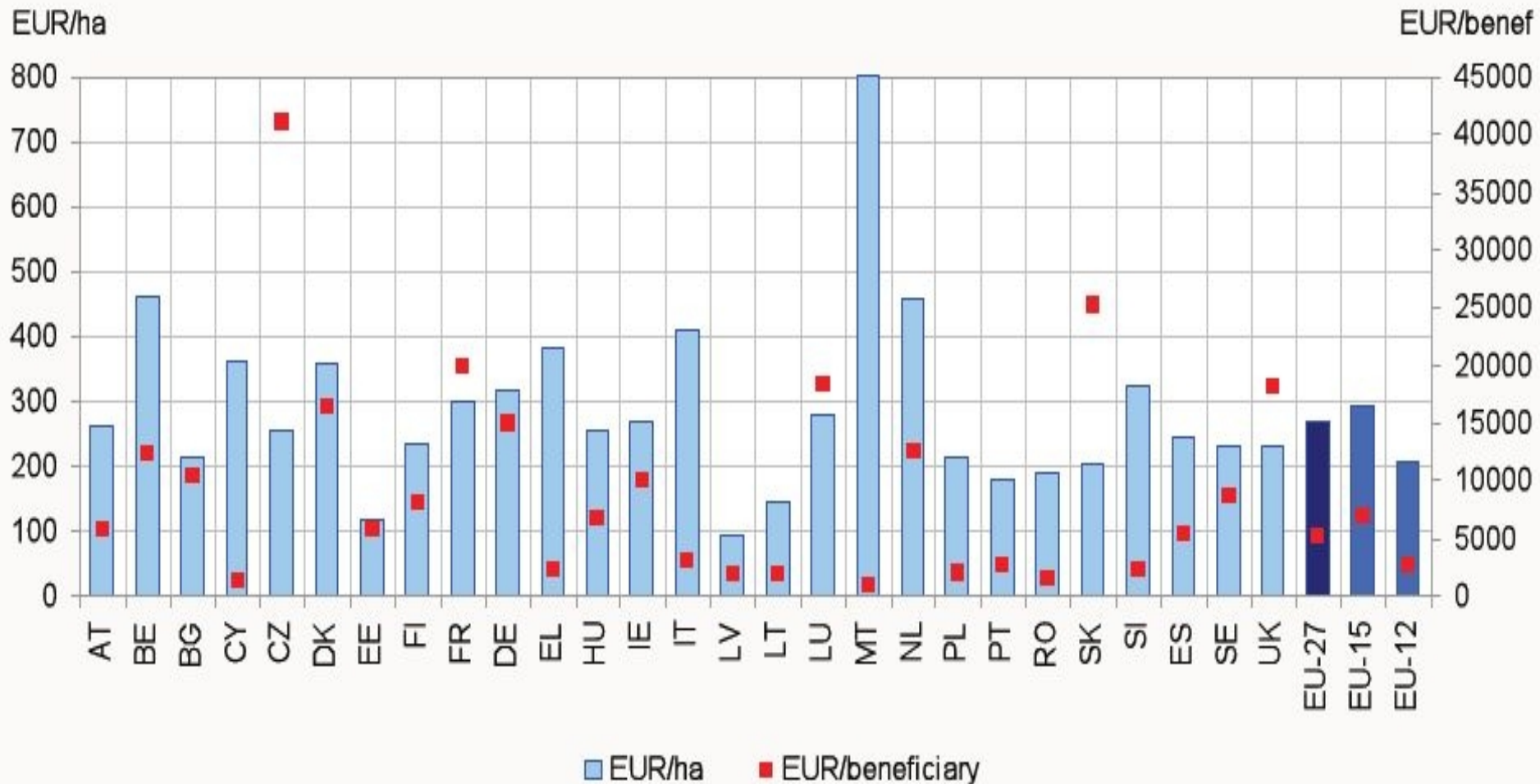
DIRECT PAYMENTS



Critiques of direct payments

- How effective these payments are?
 - Short term and long term answers
- Agricultural employment is still decreasing despite large and increasing direct support
- Uneven distribution of direct payments
 - 80% of the farms get 20% of payments and vice versa
 - EU15-NMS: a common policy?
- Majority of these payments is dissipated to input suppliers and landowners
- Direct payments are unable to stabilise markets
 - Fluctuating agricultural prices

Figure 3: Average payments per beneficiary and per hectare.



Source: DG Agriculture and Rural Development.

Note that this figure is a simplified calculation of direct payments based on the national envelopes of Member States after full phasing-in of direct payments in the EU-12 and the number of potentially eligible hectares in IACS for 2008.

Redistribution, redesign and better targeting of direct payments

- Two components
 - Flat rate basic payment
 - Additional payments (public goods)
- Unclear issues
 - Does income stability necessarily mean food security?
 - What share for different components?
 - How this proposal would redistribute direct payments?
 - Possible overlaps between pillars
 - Problems with defining "active farmers"

PUBLIC GOODS



Public goods in the CAP

- The concept of multifunctionality
 - Agriculture is more than just a food supplying sector
 - Other functions: landscapes, biodiversity, water quality, cultural heritage, etc.
- The basic problem: no market exists for these goods
 - Free-rider effect
- Public intervention as a solution?

CAP measures supporting the provision of public goods

Measures with a direct focus on the provision of public goods (Category 1)	Measures with a partial focus on the provision of public goods (Category 2)	Measures with a no direct focus on the provision of public goods (Category 3)
Agri-environmental measures	CAP specific rural development measures (Farm modernisation, LFA payments, NATURA 2000, etc.)	CAP specific rural development measures (value added, diversification, etc.)
Cross-compliance and GAEC standards		Direct payments
Article 68 measures		
LIFE+		
Structural Funds		

Critiques of proposals enhancing the provision of public goods in the CAP

- Insufficiency of measurement methods
 - Do we have a common value for public goods?
 - Can we measure the outcome?
 - What taxpayers are actually paying for?
- Institutional and administrative constraints
- Doubtful coherence with agri-environmental programmes
 - Possible overlaps between pillars?

RURAL DEVELOPMENT



The importance of rural development in Europe

- Rural areas give more than 90% of the EU27 territory and more than 50% of the population
- Agriculture can not exist without a strong rural background
 - Strong links between agriculture and the rural economy
- Rural-specific problems
 - Aging society, out-migration, lack of infrastructure and access, rural unemployment, rural poverty, etc.

Figure 1: Overall architecture of the rural development policy (2007-2013).

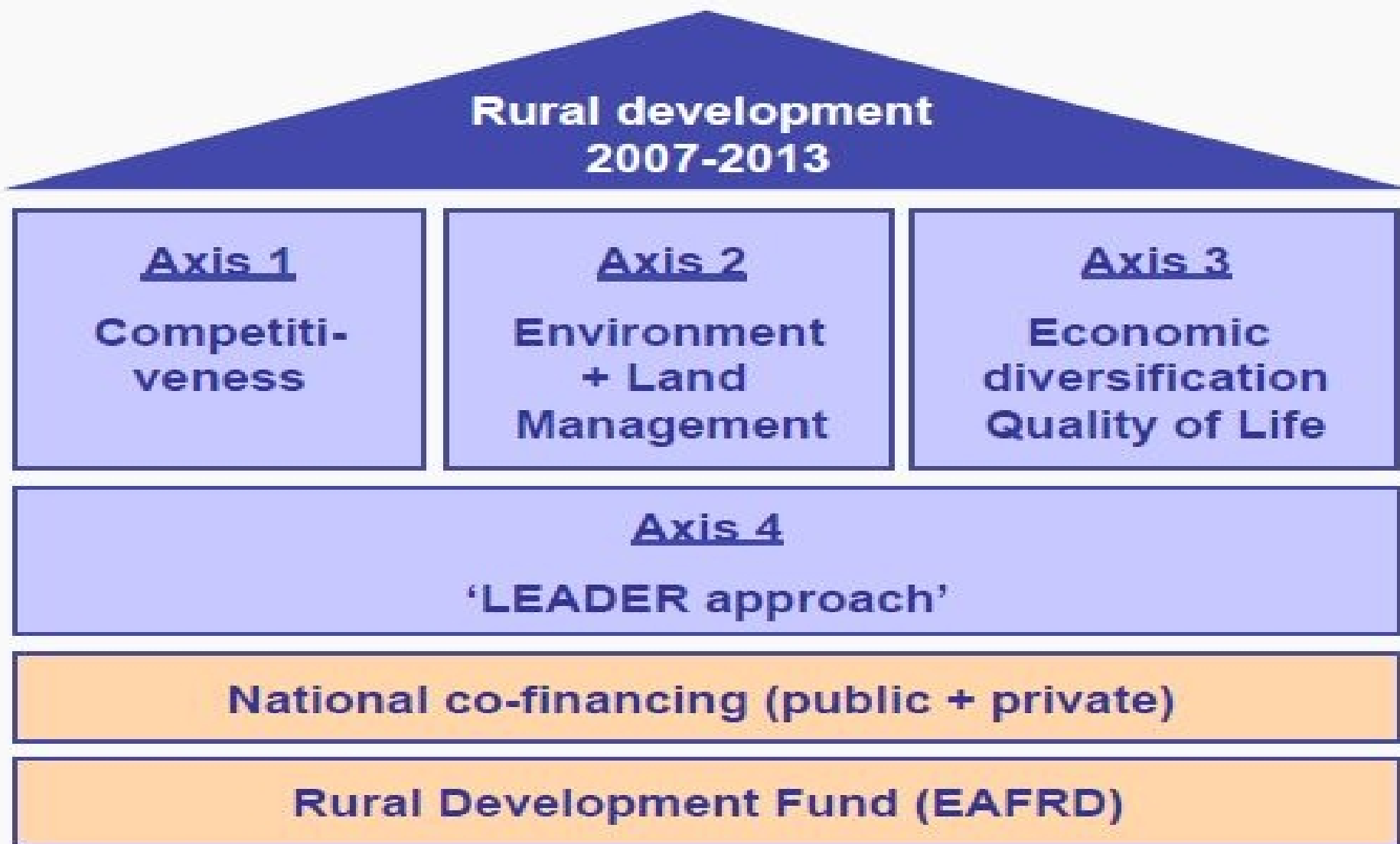
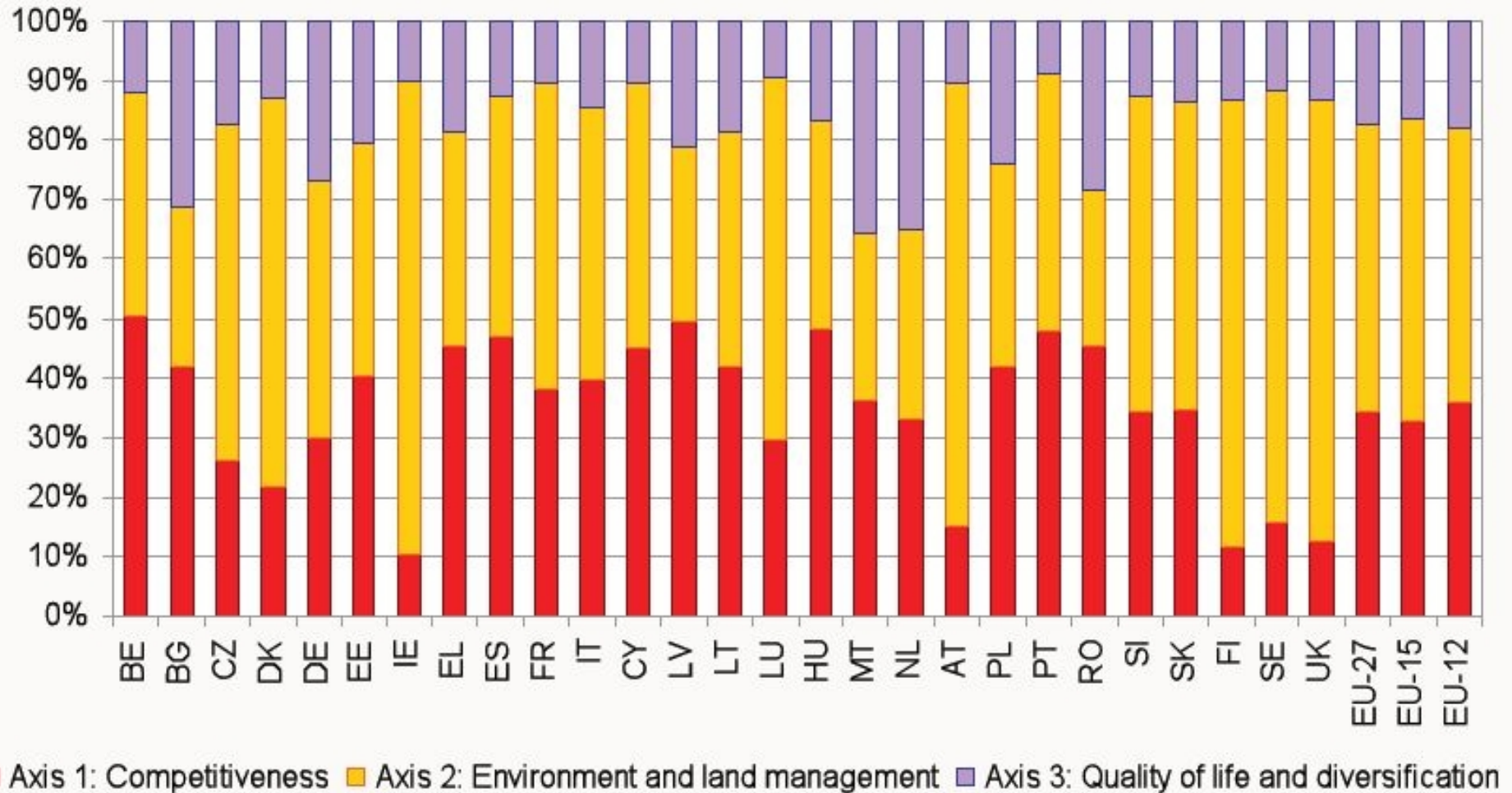


Figure 5: Relative importance of the three thematic RD axes by Member State for the programming period 2007-2013.



Note: Graph includes Leader actions contributing to each objective.

Source: DG Agriculture and Rural Development.

Questions on rural development in the future

- Do we need a change in priorities?
 - What about rural poverty?
- Evaluation
 - How can we develop monitoring and evaluation?
- The role of rural development
 - Inside the first pillar?
 - The place among EU policies

Place of rural development in the EU policy framework

- Both agricultural and cohesion policies have strong links to rural development
 - People are seeking an overall improvement, irrespective of sector-related policies
- Integration of all rural related policies by establishing a new fund is highly recommended
 - Efficiency growth
 - Decrease of overlaps
 - Better coordination

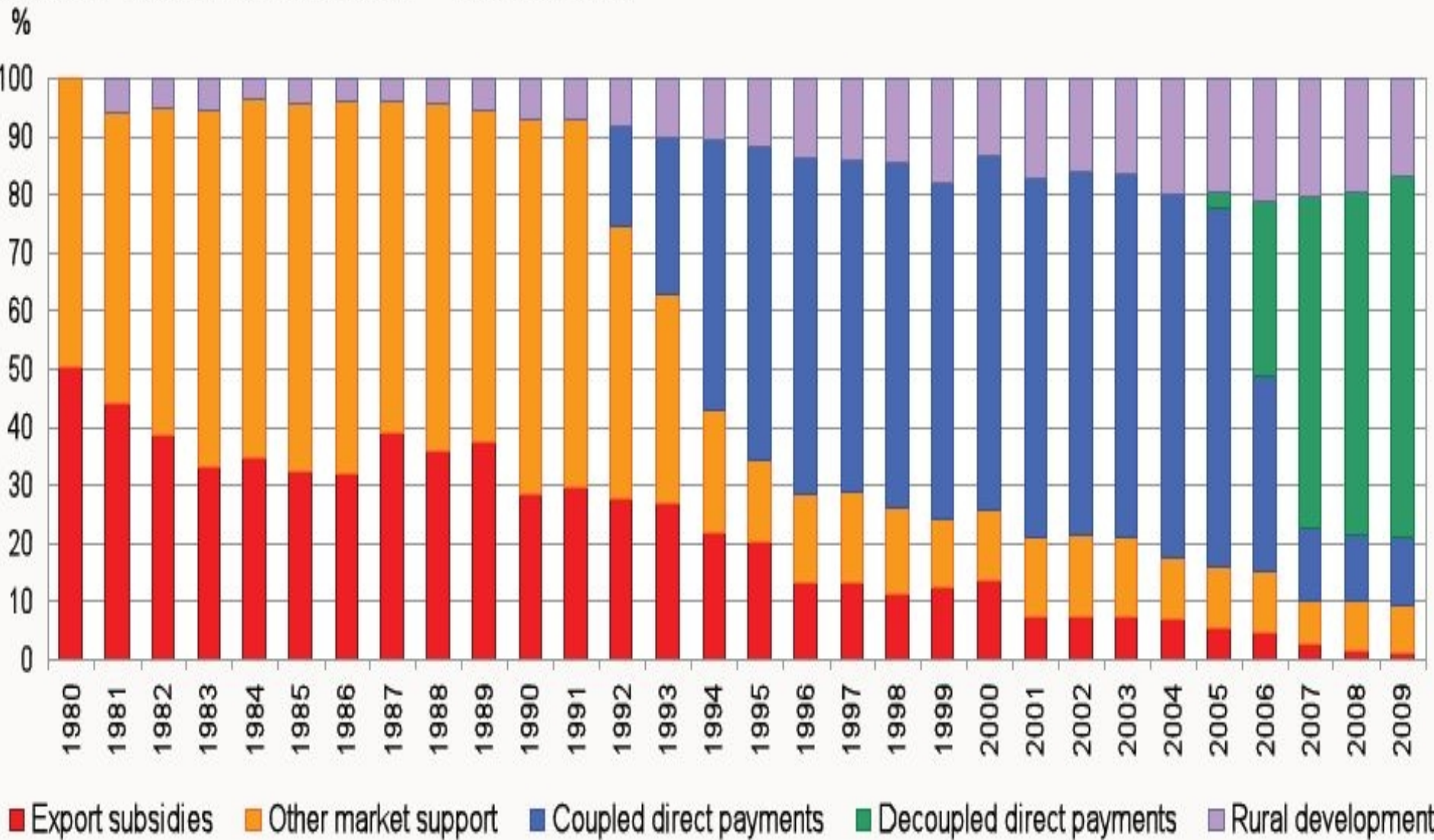
CAP BUDGET



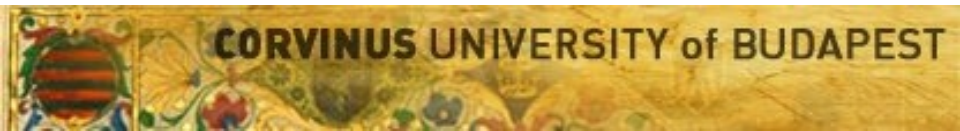
The CAP Budget

- €55-57 billion in each year (2007-2013)
 - Giving 40-45% of the whole EU Budget
 - Still below 0.5% of the EU GDP
- Two funds
 - EAGF (European Agricultural Guidance Fund) – 80%
 - First pillar instruments
 - EAFRD (European Agricultural Fund for Rural Development (20%))
 - Second pillar instruments

Figure 2: The evolution of the CAP – the full picture.



Source: DG Agriculture and Rural Development.

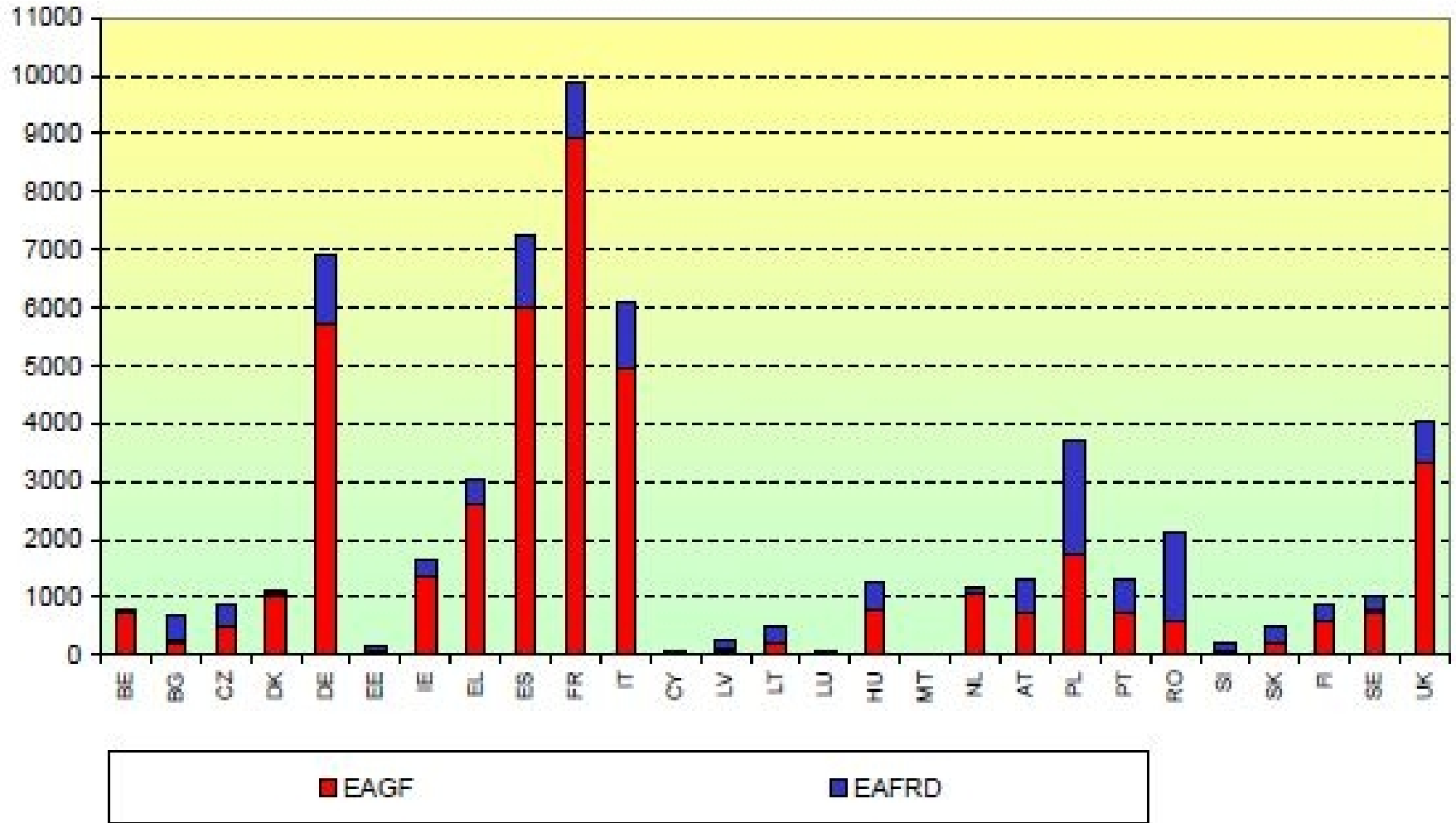


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EAGF and EAFRD expenditure (2009)

(Mio EUR)



Budgetary concerns

- The CAP Budget seems likely to be cut in the future
 - Restructuring resources by pillars and Member States
- The possible role of rural development inside the first pillar is unclear
- Reallocation by Member States by objective criteria, is highly recommended
 - Agricultural area
 - NATURA 2000
 - GDP/capita

Conclusions



- A CAP reform is a complex process with several factors to be taken into consideration
- Clear challenges and objectives but unclear proposals
- The greening of the first pillar seems to be a major change, linking direct payments and public goods together
- The role of rural development is unclear at the moment
- Restructuring resources by pillars and Member States is highly needed
- Integration of all rural related policies by establishing a new fund is recommended

Further reading

- European Commission, 2010. Communication on "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future" COM (2010) 672 final, Brussels.
- Jambor, A. 2011. Rural Development in the CAP post 2013. European Parliament note, IP/B/AGRI/IC/2011_005
- Tangermann, S. 2011. Direct payments in the CAP post 2013. European Parliament Note, IP/B/AGRI/IC/2011_003

Thanks for your attention!

