

Is the CAP Fit for Purpose?

An evidence-based Fitness Check assessment

Part II: Socio-economy

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Fitness check criteria

- **Effectiveness:** Have the objectives been achieved? Which significant factor contributed to or inhibited progress towards meeting the objectives?
- **Efficiency:** Are the costs reasonable and in proportion to the benefits achieved? Also considering other, comparable mechanisms?
- **Internal Coherence:** Do the CAP instruments agree or conflict each other in terms of objectives, institutions and/or effects?
- **External Coherence:** Do other policies agree or conflict with the CAP in terms of objectives, institutions and/or effects?
- **Relevance:** Is the CAP relevant to the challenges as perceived by EU citizens, farmers and policy makers? Is it using (and supporting) the most updated criteria, tools and knowledge?
- **EU Added Value:** Does the CAP address challenges better than national-, regional- or local-level solutions?

Topics covered by the report

Socio-economy:

- 1. Growth of agricultural productivity
- 2. Fair standard of living for farmers
- 3. Market stability
- 4. Balanced territorial development

Environment:

- 5. Climate action and energy
- 6. Soil and water protection
- 7. Biodiversity and ecosystem services
- 8. Organic farming in the context of sustainable farming
- 9. Animal welfare

Overarching topics, also emerging from SDGs:

- 10. Health, sustainable consumption and production
- 11. Reduced inequalities
- 12. Global-scale effects of the CAP



1 Effectiveness

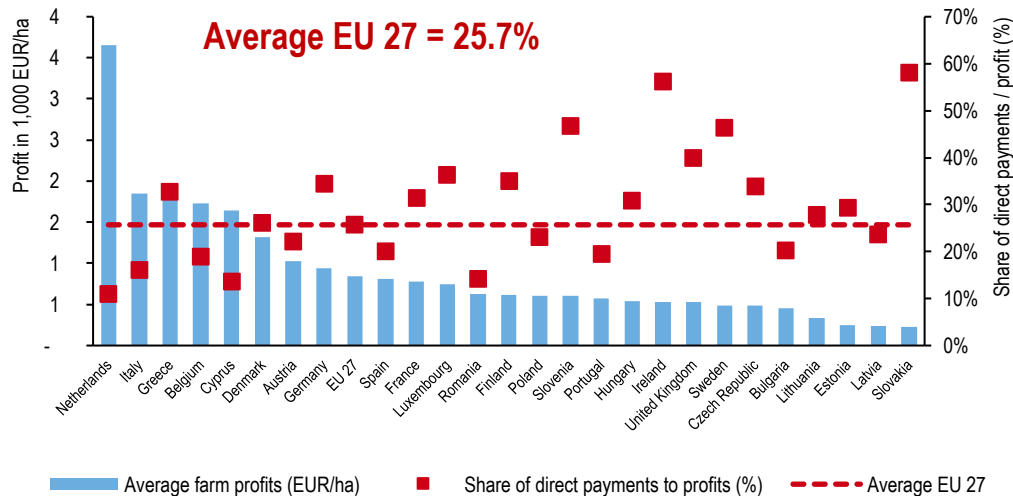
Some Results in Detail:

DP contribute to farmers income

- DP contribute to 10-60% to profits (figure)
- **Decoupling** improved productivity
- DP influence **farmers decisions**, reduce TE
- Dependence of DP

Share of direct payments in farm profit (%)

Source: own calculations, based on FADN 2017, own calculations; Average figures 2007-2013



Markets: CAP reduced distortions

- Implementation of GATT/WTO
- Reduction of tariffs, int. support, exp. subsidies
- Resulting in stable markets + reduced effects
- Farmers are challenged with price volatility
- The end of production quotas are a challenge

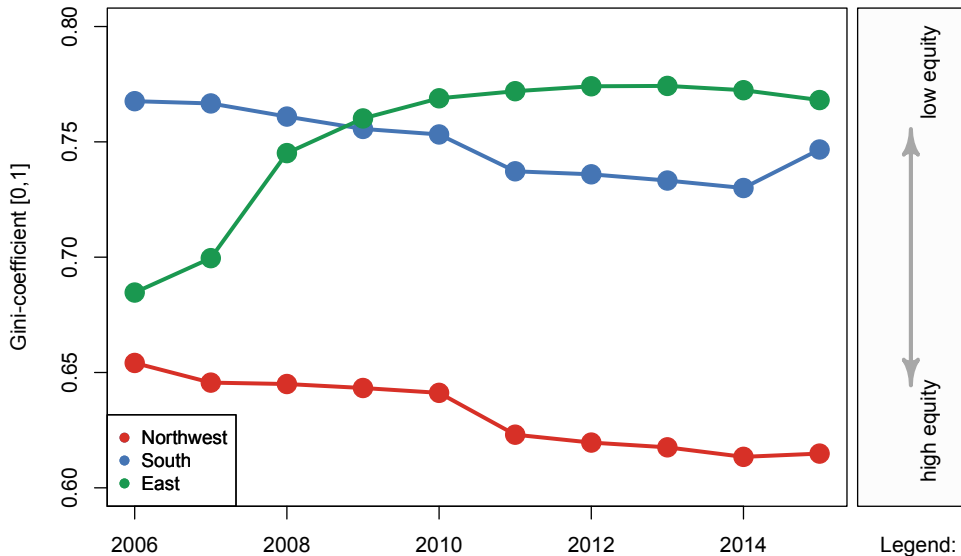
Balanced territorial development

Land use changes

Effectiveness overall is mixed

2 Efficiency

Distribution of direct payments in the EU 2006-2015



Source own calculations

Years

Legend:

The Results in Detail:

Direct Payments

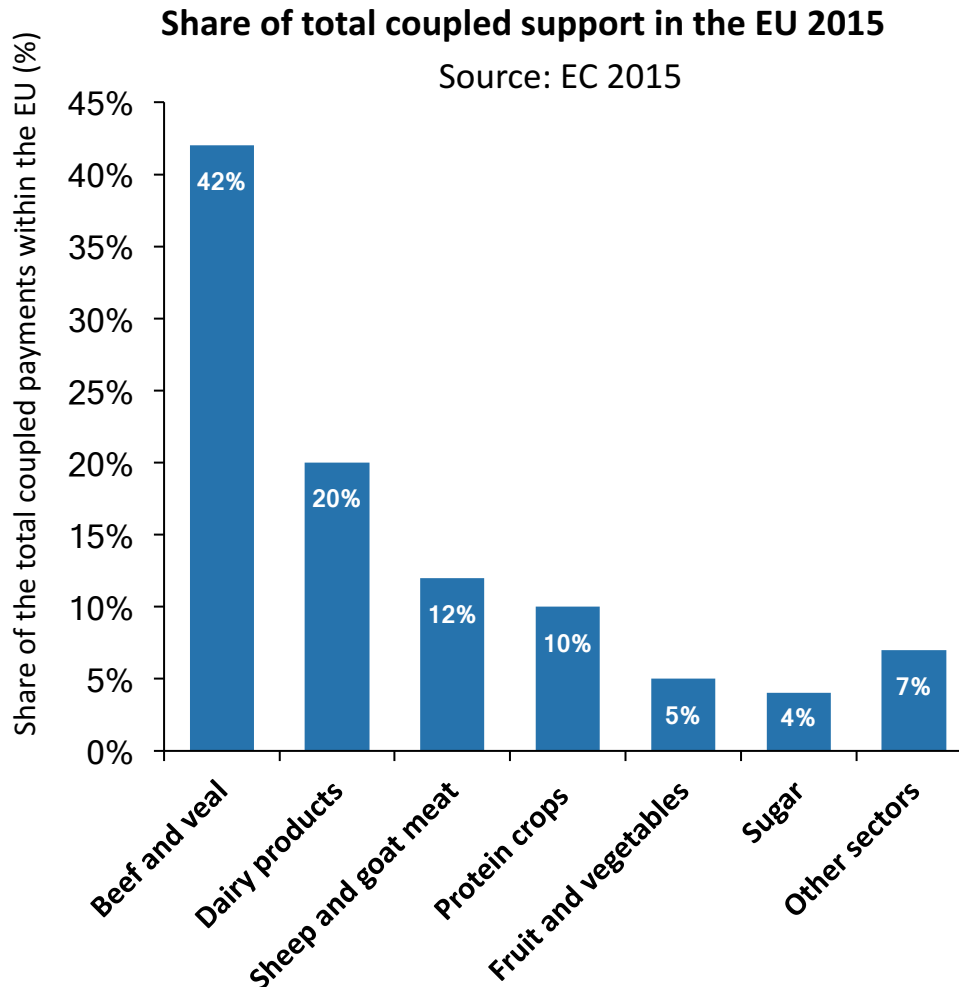
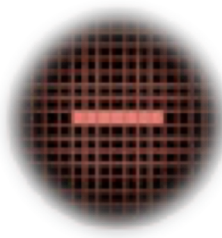
- **Distribution of DP unequal**
Appropriate distribution of DP?
Inefficient to address income
- **Leakage of DP to land-markets**
Higher land rents (+30-50%)
De facto support for **land owners**
- **No clear objective** by Commission
- **Missing indicators:**
No focus on farm households
Assets ? Other incomes?

European Court of Auditors 2016:

"...the Commission's system for measuring the performance of the CAP in relation to farmers' incomes is not sufficiently well designed and the quantity and quality of statistical data used to analyse farmers' incomes has significant limitations."

- **The DP is highly inefficient**
- **CAP is inefficient**

3 Internal Coherence



The Results in detail:

Conflicts of objectives:

- Environment ↔ Income
- Income ↔ Structure

Conflict of Instruments

Conflicts within Pillar I:

- **(Re-)Coupled payments (10% P1)**
- Undermine market principles
- Intervention milk market 2015/16
Buying excessive milk quantity

Conflicts between Pillars

- **Pillar II:** Greening undermining the Agri-environmental schemes?

**The CAP shows
low internal coherence**



4 External Coherence

The Results in detail:

Reduced distortions

- Reform process since 1992
- Impact of GATT/WTO

Open agricultural markets

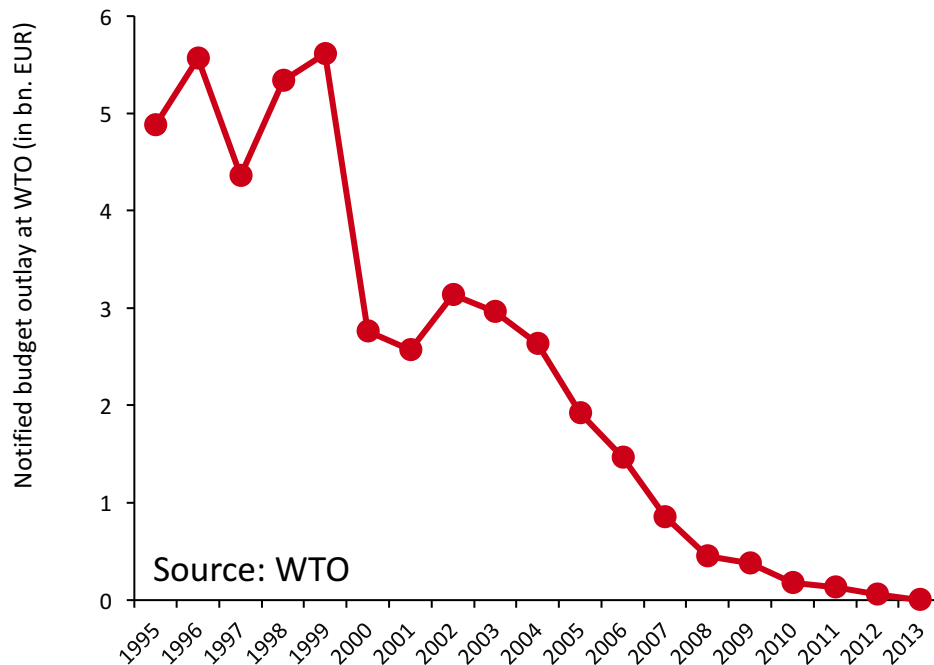
- Stop of export subsidies
- Reduced market barriers
- Some exception as e.g. beef, sugar...

Remaining problems

- **Standards** with mixed effects on LDC
- Design of **free trade agreements?**

External coherence: mixed

**Development of EU export - subsidies
1995-2013**



4a EU's external global effects

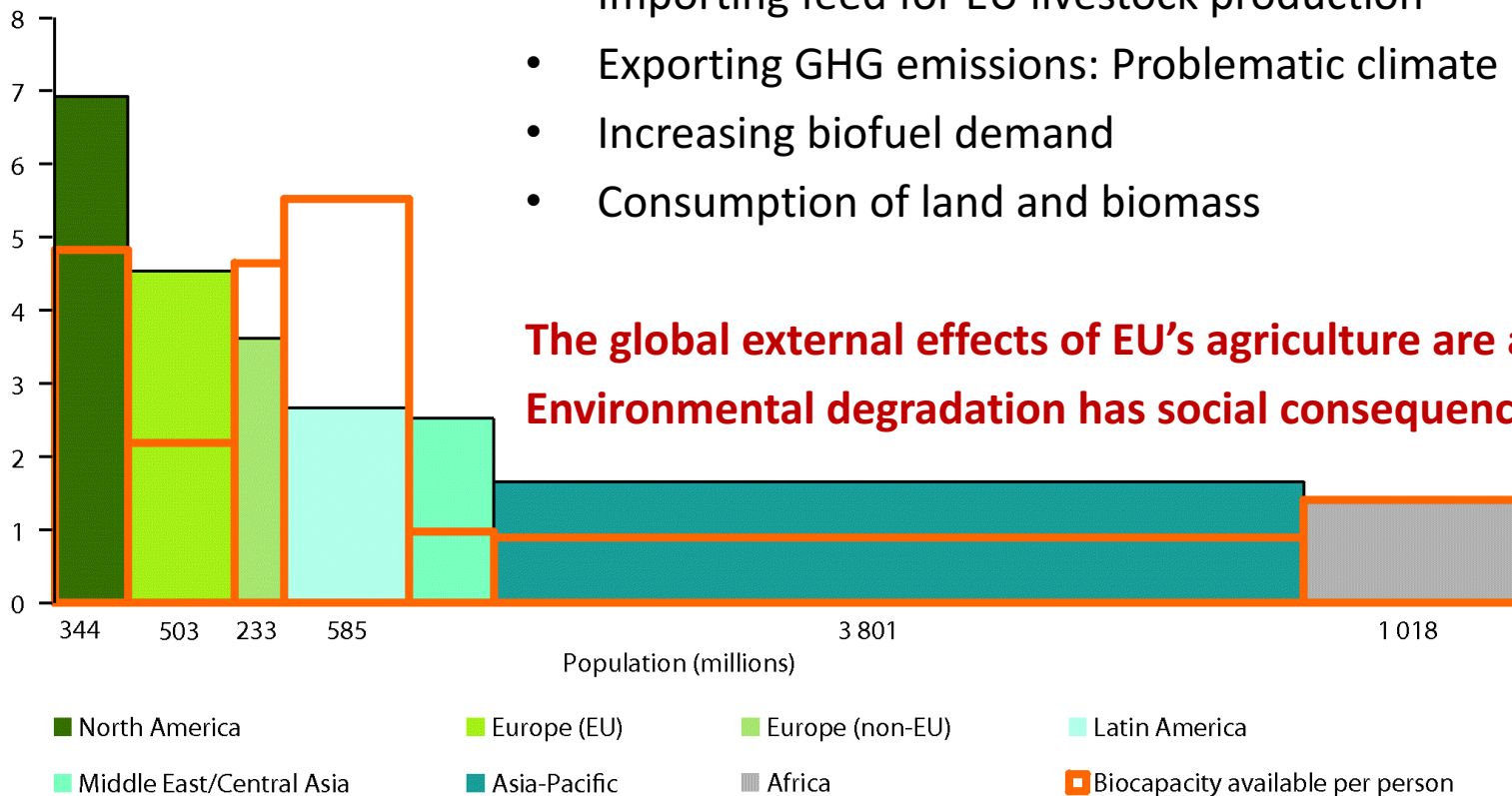
The Results in detail:

Exporting environmental footprints

- Importing feed for EU livestock production
- Exporting GHG emissions: Problematic climate balance
- Increasing biofuel demand
- Consumption of land and biomass

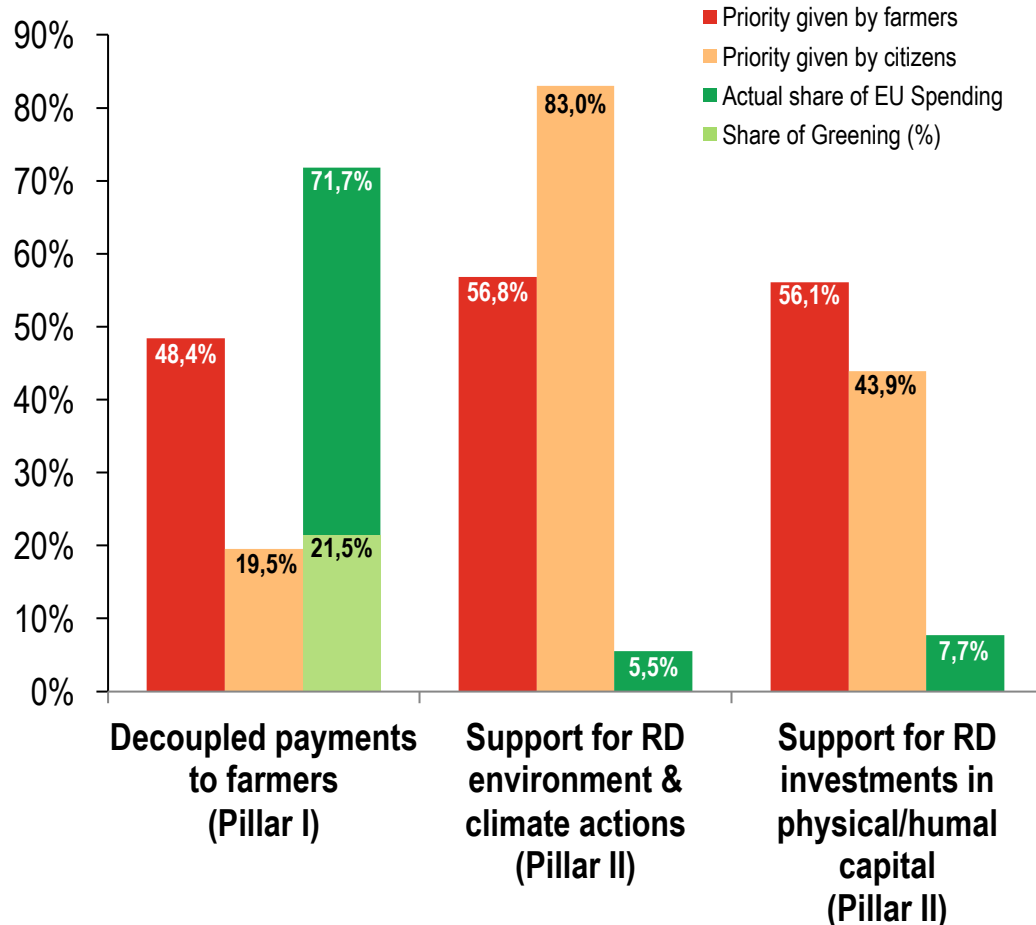
The global external effects of EU's agriculture are a challenge!
Environmental degradation has social consequences

Global hectares per person



Source: European Environment Agency, 2015

5 Relevance



Source: Own compilation;

Data from EU Commission 2017; Database on EU spending in RDP; EC (2017)

Some arguments:

- The **CAP objectives** are vague and largely outdated.
- **Public acceptance** eroded
Citizens ask for public goods
CAP as part of EU-criticism
- **Expectations of EU citizens**
not reflected in the **objectives**
not reflected in the **budget**
- **2017 public consultation**
330 k persons non representative
0.064% of EU population
47% from Germany
- **Relevance lacking**
- **Consultations** do not replace the regular policy process



6 EU Added Value

The Results in detail:

Standards and Markets

Standards are positive for market development

- e.g. organic farming policy
- e.g. legal security for a common market, e.g. sanitary standards in EU

Rural Development Programs

- Ownership through programming in RDP?

CAP-reform 2013

- New flexibilities of pillar I not according subsidiarity
- **Re-coupling, Re-shifting** between Pillars => new “rent-seeking”
- Flexibilities and coupled payments undermine EU added value

EU added value has been reduced in the last CAP-reform 2013 by “new flexibilities”

7 Key lessons and conclusions

- **Reforms** has resolved most market & development problems
- Today's DP are **neither efficient nor well justified**
- No consistent, well-justified **set of objectives**
- **Indicators & evaluation** of the CAP are still weak
=> Income indicators: e.g. farm households?
- In some regions the CAP has **social responsibility**
=> **Note:** small farms ↔ environment
- Some emerging economies gained from market access
=> Chances vs. challenges
- The CAP fails in reducing the **global ecological footprint**
- **Coherent policy packages** are missing
=> incentives policy integration

Thank you for your attention!

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