

The Future of food and farming in Europe:

Is the EU heading towards a real improvement of the CAP?

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The EU is moving forward intensively in discussing and delineating how the Common Agricultural Policy (CAP) will look like after 2020. As a milestone in this process, in November 29, 2017, the EU Commission published the Communication Document "future of food and farming", outlining the guiding principles for the next CAP-Reform. An interdisciplinary team of over 20 experts has analysed the Communication Document against the evidence presented in the 'Fitness Check' report which we released in Nov. 2017 (www.idiv.de/cap-fitness-check). The Fitness Check report provides a robust evidence with regards to the performance of the CAP hitherto, enabling us to assess whether the Communication Document indicates a real improvement. Here are our key observations.

1 Sustainability is a good overarching target which the CAP does yet not support

The Communication Document offers a promising commitment to sustainability in general and to the UN's Sustainable Development Goals (SDGs) in particular. It identifies three axes of sustainability: social, economic and environmental. Our Fitness Check indicates this commitment to be crucial given that in its current design, CAP lacks the instruments to deliver on some key SDGs including 3 (Good Health and well-being), 12 (Responsible Consumption and Production), 13 (climate action), and 15 (Life on Land). In some cases, the CAP even indirectly contradicts with SDGs, e.g. by supporting unsustainable farming systems and products. The Communication Document states that "*It is thanks to the CAP that the EU farm sector is able to respond to citizens' demands regarding food security, safety, quality and sustainability*". By claiming to already responding to these challenges, the Commission fails to acknowledge that the EU agriculture and the CAP fall short of sufficiently promoting sustainability along any of its dimensions (social, economic and environmental). We also note that SDG 10 (Reduce inequalities) was not listed in the Communication Document at all, despite the strong social responsibility the CAP could have.

We therefore call the Commission to seriously consider the implications of adopting the UN's SDGs in terms of instruments, indicators, and an effective delivery model.

2 Direct Payments (DP) still remain poorly justified and lack a reliable set of performance indicators

The Communication Document repeatedly refers to Rural Development Programmes (RDP) when highlighting the CAP's success, yet offers insufficient justification for the exact role of Direct Payments (DP). We highlight important discrepancies between the facts presented in the document and the findings of our Fitness Check. *First*, the Commission's document presents statistics indicating farm income to be lower than average, whereas various studies indicate this indicator to inappropriately reflect the socio-economic conditions of farms and farmers. Without considering additional sources of income, income of partners, assets and actual costs of living in rural areas, the Commission portrays a biased picture of reality. *Secondly*, the Document claims for public support of the need for Direct Payments, whereas the outcomes of our Fitness Check strongly question both public support and the ability and efficiency of DP to achieve the income objective. Even the results of the Public Consultation led by the Commission show that not only the public but also farmers place RDP first, and DP at the third place, when asked which instrument best addresses current challenges. We therefore reject the confusion between income support as an objective, and DP as

the means to an ends. By ignoring long-term, repeated criticism on DP both by scientists and the EU Court of Auditors, the Commission risks an onward loss of public support.

We therefore call the Commission to conduct an evidence-based evaluation of Direct Payments, to set clear objectives and a reliable process to improve the CAP's largest share of budgets.

3 Insufficient recognition of the CAP's inefficiency

The Commission Document makes a reference to efficiency, stating that "*Direct payments will fulfil their mission more effectively and efficiently if they are simplified and better targeted*". It also identifies a need for "*a more balanced distribution of support*". Our Fitness Check report identifies multiple sources of inefficiency, most of which are not acknowledged in the Communication Document. These emerge from social, economic and spatial distribution of payments, conflicts between different CAP instruments and with other policies. Additionally, parts of the Direct Payments fail in this respect as they leak to land owners who may not be active farmers; and a large proportion of the greening payments currently serve as "windfall profits" for farmers (i.e., payments with no services attached).

We therefore call the Commission to focus on efficiency by cancelling payments that cannot be proven to yield clear outcomes, and to ensure that instruments do not conflict with each other.

4 Opening the green architecture of the CAP is welcome if used to achieve a true improvement

The Communication Document acknowledges the key role of EU farmers as "*stewards of the natural environment*"(p.1) and their potential to protect biodiversity in 48% of the EU's land. It also acknowledges the failure to deliver thus far by (e.g., "... *obstacle preventing the current policy from successfully delivering on its objectives*" (p.5)). We therefore recognise the potential of (re)evaluating the overall "*green architecture of the CAP*" (p.19).

However, the Document fails to acknowledge the sources of some key environmental issues. Most critically, despite a **seemingly strong focus on climate** (the word is mentioned 43 times), the Document does not acknowledge EU agriculture as an important *driver* of climate change. Our Fitness Check shows that agriculture contributes 20% of overall EU GHG emissions, while climate measures under the CAP are insufficient and do not target key sources of GHG emissions, namely livestock production (over 2/3 of EU's agricultural GHG emissions), nitrogen fertilization, or land-use change within and outside the EU. A more ambitious climate action requires setting a clear GHG-reduction objective for the EU agricultural sector, rather than vague proposals such as climate-smart farming.

We therefore call the Commission to set up concrete targets and instruments to address environmental challenges and particularly climate change in coherence with SDGs 6, 13 and 15 and in agreement with the CBD and UNFCCC.

5 No mention of sustainable farming systems such as High Nature Value farmland

The Commission Document makes no reference to supporting sustainable farming systems in general, and High Nature Value (HNV) farmlands in particular. Our Fitness Check indicates a lack of coherence between instruments, even within CAP Pillars, with respect to sustainable farming systems. For example, payments for Areas with Nature Constraints support HNV farming systems only in some MSs, and Agri-environmental payments are often not focused on the objectives of the Natura 2000-framework. We also note that HNV farming systems have been increasingly acknowledged for their contribution to both food security and the conservation of environmental and cultural assets.

We therefore call the Commission to ensure that sustainable farming systems, and particularly High Nature Value farmlands, are acknowledged and secured in the next CAP.

6 Insufficient recognition of the global environmental dimensions of agriculture and the CAP

The Communication Document shows an important and promising commitment by pointing out the “**global implications and linkages**” of European agriculture (p.25). Such commitment is indeed essential given the global dimension of international agreements, including the commitment to the UN’s SDGs. To achieve this, the CAP has to be coherent with other policy areas like trade policy or development policy, as mentioned in the Document.

Our Fitness Check documents that some challenges (e.g. relating to trade and production distortions) have been successfully addressed in previous reforms. However, addressing the remaining challenges requires acknowledging which aspects are far from sufficient - especially with respect to sustainability and the environment. This can be shown e.g. in the case of sustainability certification of biofuels, and particularly **driving land-use changes out of the EU**: The EU is using twice its overall bio-capacity, thereby externalising its environmental impacts by triggering land-use changes outside the EU, for example by importing vast quantities of feedstock from Brazil. It is important to highlight that environmental degradation is also associated with socio-economic costs and conflicts. Such externalities of production and trade could be internalized via international environmental taxes, effective certification, the trade with environmental certificates or regulatory law.

We therefore call the Commission to ensure that the CAP addresses the global environmental footprint of EU agriculture.

7 Flexibility for Member States is not an instrument to achieve greater subsidiarity

We acknowledge the potential of a **result-based CAP**, where Member States (MSs) are given more flexibility and responsibility to meet a set of criteria with a given budget. This can potentially introduce more ownership and motivation, and in some cases can help improve the CAP’s efficiency. However, flexibilities should be derived and designed from the principle of subsidiarity, where policies are designed and decided on the right administrative level, i.e. regions, member states or the EU level. So far, the flexibilities within the CAP are rather a result of a bargaining process between EU Commission, Council and EU Parliament in order to win majorities for the last reform.

This has specifically undermined the effectiveness of the last CAP-reform: Our Fitness Check particularly highlights the risk that excessive flexibility without clear objectives and requirements can water down ambitions, e.g. environmental standards and market regulations, thus hindering transparency, effectiveness and efficiency.

We therefore call the Commission, in the 2018 legal proposals, to set ambitious targets and a clear set of rules and sanctions for Member States in case of non-compliance.

8 Improvements require evidence, knowledge, and the scientific community

The Communication Document makes a reference to the roles of evidence and research with specific aim to promote innovation (“*the future CAP will need to enhance even more synergies with the Research and Innovation Policy in fostering innovation.*”)(P.12). We particularly welcome the statement that the Commission will “*take into account all available evidence on the performance of the CAP so far and to use this information when analysing specific solutions for the future*” (p.6).

Our Fitness Check indeed demonstrates that there are vast amounts of knowledge for improving the CAP’s performance, especially with regards to the environment. However, the Document narrows down science to promoting progress in farm technology. Science and knowledge have much broader

uses for society, including knowledge that can help improving the CAP and the process leading to a better policy design. Yet we are concerned that such improvements will not be achieved without a systematic review of existing knowledge, and greater inclusion of the scientific community in the process.

We therefore call the Commission to recognize the potential of scientific evidence and the scientific community to contribute to identifying solutions and improvements in the CAP's design.

9 No reflection on the need for a transparent and open process of improvement

The EU Commission points out that a new result-based CAP needs "*a credible performance monitoring and reporting*" (p.10). While the statement is correct, we do not see how it can build on current CAP mechanisms or how it is reflected by the overall process. Our Fitness check indicates a remaining lack of transparency with regards to how public money is spent; and monitoring still largely focuses on over-simplified indicators such as "number of participants" or "hectares supported by agri-environmental measures", which do not correspond at all to the efficiency/performance of the program. Most alarmingly, the process of policy negotiation and updating is, in itself, far from transparent. It is unclear how criticism of the CAP will be addressed, and how improvements of the CAP will be designed and implemented in the most effective way to avoid meeting compromises where this may be unnecessary.

We therefore call the Commission to clarify how it is planning to achieve a process that would gain more credibility that the next CAP will be truly better.

10 Hints towards a 'business as usual' policy with no significant change

Our Fitness Check confirms the finding of other assessments, indicating that **the CAP is not fit for purpose**. Namely, it does not deliver on the most significant and relevant challenges to our society and the environment, such as climate change, biodiversity and the support of sustainable farming system; and it has barely no instruments to address issues relating to food quality, consumption behaviour and waste. While substantial changes are clearly needed to make the CAP fit for purpose, the Document indicates **little willingness to reform the CAP to the extent needed**.

Our Fitness Check suggests that the reform-path of the CAP which started with the MacSharry-reform in 1992 was not continued with the last reform in 2013. Some achievements were reversed, and public support has declined. The Public Consultation led by the Commission indicated a clear demand from both farmers and other citizens to see a stronger delivery of public goods and services, and larger emphasis on rural areas and poorer farmers. In contrast, the Communication Document repeatedly hints that the CAP already delivers, e.g. by using the word "continue" 15 times and the word "maintain" 3 times. When 68% of the CAP's budget is still spent without a clear justification; when environmental assets and rural population continue to decline; and when vagueness in terms of objectives and the CAP's spending prevails – then the CAP cannot deliver.

Given increasing criticism on the CAP by all sectors of the EU's society; given the exit of United Kingdom from the EU; and given the general criticism of populists on the European Union as a whole, **we call the EU Commission to provide an ambitious CAP-reform which would base on the knowledge and experience available for improvements**, rather than on loudness of opinions or the power of lobby pressures. **A better CAP is simply essential for the future of the European Union.**

Our Fitness Check report is available www.idiv.de/cap-fitness-check, containing a robust and detailed justification for each of our comments on the Commission's Communication Document. We stand ready to provide further explanation and to engage in an active dialogue on how these aspects can be improved in the course of developing the next CAP.