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Economic, Environmental and Social Consequences of CAP reform

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CAP reform & sustainability

- The broad context of CAP reform
- An industry view of the '03 Fischler Reforms
- Future developments & drivers
- Focus throughout on questions for research.



Broad context of CAP reform

- Moderation of pace of rural change
- International trade impacts of highly protected EU markets
- Domestic impacts: surpluses; environmental and budget costs
- Rapid technological and structural change, especially up and down stream of farming



The reforms of the CAP

- Continuous process given enlargements, & economic circs.
- Coping mechanisms within highly protectionist system until 1992
- MacSharry, Fischler '99 and '03
 - Supply control
 - Cut price supports
 - Compensate for price cut
 - Coupled first, then decoupled
 - Creation and expansion of second pillar
- This indicates the (legal) basis for the Single Farm Payment (SFP)



An industry view of the reforms

- A necessary step in a process
- Huge change in legal requirements
 - 10 month rule: farming structures & structural change
 - Horticultural crop authorisations
 - Hill and common land management
 - Cross compliance
 - New Stewardship schemes
- Economic effects of
 - differential application in EU
 - redistribution of SFP in England



Adjustments by the industry?

- Inspired guesswork by researchers
- Assessments: results or assumptions?
- Forecasts or what-if projections?
- Lump sum payments to occupationally defined group
- Lower transactions costs
- Risk impacts?
 - Stabilising effect of the SFP, but
 - Exchange risk & u/c duration of SFP
- Compliance costs; now, future?
- Entitlement transfer market
 - Land price and rent effects



Future CAP developments

- Fate of the SFP?
 - EU debate:
 - Convergence to area payment?
 - What the SFP is for
 - Switch to Pillar 2 purposes?
 - The capping debate
 - East – West, N – S divides
 - The EU budget; effects of next financial perspectives for the CAP
 - Further reforms: especially sugar
 - The new Rural Development Regulation
 - International debate: fate of Green box



Payment for public services

- Basis for environmental payments?
 - EU or national?
 - Which Pillar?
- Quantum of environmental services
- Basis of payment rates
 - Opportunity costs
 - Value of the services
- Contractual basis:
 - public – public
 - public – private
 - private – private.



Other policy developments

- Costs and impacts of further regulation
 - Waste, WF and soil Directives etc
- Incentives and obstacles to renewable energy development
- Extent & inducements for material substitution: wood for concrete, steel, etc
- Land use change for C sequestration
- Land use management for flood alleviation



Other drivers of rural change

- Crisis management
 - Climate induced: fire, flood, drought
 - Animal & plant disease
 - Bio-terrorism
- Food chain developments
 - Intensified supermarket competition
 - Pace of development of niche markets: locality; traditional; organic
 - Willingness to internalise transport externalities?
- Technical change
 - Will Europe embrace it?



Summary

- Low profitability of main land using activities (farming and forestry) even with subsidies
- Increased exposure of these to international competition
- Increased demands for public outputs (landscape, biodiversity, resource protection, access)
- Research challenges
 - Understanding the trade-offs between the 3 legs of sustainability
 - Finding options for resolving these tensions



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