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### THE RESEARCH CHALLENGE OF CAP REFORM

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# The 2003 CAP Reform

- The reform package contained four key elements which have particular consequences for the environment:
  - Decoupling of support;
  - Cross Compliance;
  - Modulation; and
  - National Envelopes.

# Cross Compliance

- Single Farm Payments will be conditional on maintaining Good Agricultural and Environmental Conditions (GAEC) and compliance with a number of EU Directives
- The role of cross compliance is to protect the environment from damage – not to reward good environmental management.

# Modulation

- A progressive shift in support away from so called 1st Pillar of the CAP (which includes the SFP) and into the 2nd Pillar (which includes agri-environment schemes and rural development schemes).
- The principle of this change is very significant: since modulation is now compulsory and will apply to all Member States – but little practical change in England.

# National Envelopes

- The ability for Member States to siphon off up to 10% of the SFP to be used for specific types of farming systems which are important for the protection or enhancement of the environment.
- But decision taken not to use in England.

# Decoupling of support

- The €40bn support for EU farmers will be largely decoupled from what they produce and combined into a new Single Farm Payment (SFP).
- SFP can be paid to “farmers” as either historic payments linked to previous levels of support or by payments averaged out between farmers within a region and allocated according to the area of eligible land the “farmer” has certain rights over.

# Decoupling – what does it mean?

- Entitlement to support will be independent of what recipients produce.
- Decoupling has mixed and uncertain environmental consequences.
- The critical point: decoupled SFP is not linked (other than by limited cross compliance) to any requirements to actively farm or manage the land.



# Decoupling – what does it mean?

- A farmer can extensify, change enterprise, intensify or take the SFP and invest it where he sees fit – which may well mean off the farm.
- Therefore, how the SFP is paid (historic or “area payments”) will have little significance for the delivery of environmental objectives since either way the payment is decoupled from the actual management of the land.

# Issues of equity

- A historic basis for payment would reward those farmers who were the most intensive in the past.
- But area based payments don't reward positive management – but they do ensure the biggest landowners get most of the money.

# So what is the SFP for?

- The payment does not appear to be a compensation for policy change;
- Nor is it an efficient means to income support as the biggest get most; and
- It cannot be claimed to be an environmental payment since regardless how it is paid, it is not linked to the delivery of positive environmental management.

# So what is the SFP for?

- It may be an obvious question, but there is no obvious answer.
- The SFP was a necessary compromise to securing the primary objective: to put the EU in a strong negotiating position to secure further progress on the liberalisation of international trade through the WTO.

# Conclusions

- Primary goal, and greatest success, from the EU's and UK perspective, was decoupling and further liberalisation of global trade.
- Value for environment uncertain and variable and dependent on delivery decisions by Member States.
- **Uncertainty** about effects and **unpredictability** of individual farmer response create a public policy nightmare but a rich seam for research.
- CAP Observatory: Defra and Agencies planning and England CAP Observatory to collate and analyse research to try and understand environmental impacts.

# Some possible research themes

- **What is a “farmer”?** to what extent has decoupling broken the productivist idea of a farmer? How are farmers and others (planners?) understanding and adapting to this definition?
- **Is the future for Rural Policy nationalist?** To what extent does a non-common CAP and regional decision making lead to re- nationalisation of policy?

# Some possible research themes

- **Farmer adaptation:** How has decoupling been incorporated into farm business planning and what is the distribution of response?
- **Economic of impact of SFP,** how will the way farmers respond impact on economies of rural (and local) areas? Is more competitive agriculture being bought at the price of less competitive rural economies?

# Some possible research themes

- **1<sup>st</sup> and 2<sup>nd</sup> Pillars:** Reform or convergence around a new rationale for state intervention in production?
- **Cross compliance:** the tension of common standards vs site specificity. What limits does this impose on policy design?



# Some possible research themes

- **Implications for conservation management:** To what extent is conservation management (preservation) now decoupled from farming? What are the alternatives – are these economic?
- **Landscapes of the new economics of agriculture:** What landscape changes will decoupling bring – will we like it?



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