

THE CAP, ITS CHALLENGES AND THE EUROPEAN GREEN DEAL

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It is a great pleasure to be here today sharing with Jo and Ann a panel chaired by Will. My long professional friendship with all three has as common origin at the International Agricultural Trade Research Consortium. Many of the challenges we addressed there and then remain; in fact, in some respects, we seem to have put reverse in the gearbox. Yet other challenges loom larger today, and for these I came to talk to you about.

1. Where is the world food system today?

The **world food system** is in a state of flux, and the European Union's food system could be no exception. With **"business as usual" no longer a viable option, alternatives** to conventional farming and food practices **are advanced** in the public debate **and applied** on the ground.

Not all such options are applicable everywhere, not all are necessarily sustainable, not all address climate change priorities - especially when viewed from a global, and not just an EU point of view. Yet all such options are reflections of the realisation that **we are at the crossroads of a major transformation** in the manner by which we address the production, distribution and consumption of food – **from Farm to Fork**.

Even before climate change took centre stage in the EU public debate, it had become clear that, in all basic human needs - food, shelter, clothing, energy, transport - we are rapidly moving from a phase of solving economic and social problems at the expense of the environment towards a phase of potentially solving economic and environmental problems, yet with often increasing social tensions.

In the previous phase, whose beginning was characterised by the advent of the "Green Revolution", **food productivity increased rapidly, making food abundant and affordable**. Based on breeding, mechanisation and the outflow of labour from farming to booming industrial and service sectors, this process came at a **cost**, that of **significant degradation of soil, water, air and especially in biodiversity**, though not all of these environmental problems were driven by farming practices and not all regions around the world face the same problems.

Today global food systems are being rapidly transformed, sometimes in ways that often anticipate policy responses rather than responding to them. **Farming 4.0 marks the entry of agriculture into the digital economy** with technologies and practices that, based on research, innovation and a more targeted use of knowledge, simultaneously improve economic and environmental efficiency. It also **reflects the unique role of agriculture and forestry** to climate action **through carbon sequestration**, thus potentially allowing farmers of tomorrow to be providers of food and feed, but also energy, bio-based materials and chemicals.

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Farming 4.0 is not just a characteristic of large farms or the developed world. Such technologies are more neutral in size and, with appropriate transfer of knowledge and the investments facilitating their application (e.g. farm advisory systems, various schemes of farm cooperation, publically available satellite data, broadband etc.) expand the prospects for their wider use and sharing of their benefits.

However, this phase is also characterised by **significant gaps in knowledge, applications, and especially perceptions** (the debate about the protection of private and the use of public data is just one example). They also reflect old and generate new tensions between rural and urban areas, from shifting consumption choices and patterns all the way to the digital divide, to gaps in jobs and growth opportunities, or to the impact of food on health. The latter reflects one of the paradoxes of modern life – the interchangeable reference to food as a positive or negative externality!

2. Where is the EU farm policy today?

Every day EU citizens select their food from the widest and safest set of food choices possible. It was not always like this; and yet as never before such **abundant and secure food** is criticised for its impact on health...

Every day, a vast territory of European Union's landmass contributes to the production of its food and feed, and less to its fuel and fibre; yet never before has the complex relationship between **agriculture and the environment** been so hotly debated in terms of the balance between its negative and positive externalities on air, water, soil and biodiversity...

Every day, a small and constantly shrinking primary sector, supplied upstream by inputs and supplying downstream its output, is more integrated as part of the **global food chain system and bio-economy**. Its growing sophistication is globally recognised, placing it in many areas at the *technological frontier* of food trade or environmentally savvy precision farming. Yet, while benefits are both widespread and measurable in terms of growth and jobs in the overall economy and in trade, so is criticism about perceived or real bottlenecks in the food system and the **uneven distribution of its benefits**...

Underlying these achievements and shortcomings is the Common Agricultural Policy (CAP), a policy deeply embedded in the history of European integration, which has undergone a significant reform process since the mid-1990s. In its long path of reform since the early 1990s, the CAP gradually but steadily widened its scope, refocused its objectives, stabilised its costs, and impressively reduced its trade distorting impact, all achieved within a clear budgetary constraint.

Opinions are far from unanimous on the balance of successes and failures of the CAP. Yet on facts, there is, at least, less dispute. The move away from supporting products into supporting producers led to an undisputed economic outcome in three areas:

- the significant improvement in the **competitiveness** of the EU's agro-food complex, evidenced in the ever-increasing EU agro-food trade balance;
- the **resilience** of EU farm income, which withstood the pressures of a commodity price rollercoaster in relative better terms than in other parts of the developed world;
- the positive impact of the CAP in **poverty reduction, jobs and growth** in rural areas.

This was not an accident but the **result of the choice of a set of farm policy tools** mainly based on an income safety net widely spread across the EU territory. Yet this policy design responded to a **different set of challenges than** that EU agriculture is facing **today**. Furthermore, this economic and social success story did not come without costs.

The **environmental performance of EU agriculture** remains **mixed**, and opinions around it very polarised. Facts could help put things into perspective. **Positive impacts** from lower input use and lower emissions are measurable and real. From 1990 until 2016, EU GHG emissions from agriculture declined by 22%. During the same period, such emissions increased by 6% in the US, 24% in China and India, and 47% in Brazil.

Yet it is clear that this path has not been linear. The drastic drop in price support and the collapse of the Eastern Bloc led to a major reduction in input use throughout the nineties. Decoupling, cross-compliance and increase in agri-environmental measures led to slower but steady progress throughout the 00s.

But **more recent years are characterised by stagnation**, due to various reasons - the watering-down of the “greening” measures proposed by the European Commission, the temporary increase in the dairy herd after the abolition of dairy quotas, the exhaustion of the momentum of past policy reforms.

Addressing these weaknesses was identified as **the main priority of the 2018 proposal for the Future CAP**, which put **climate and environmental action** at the core of its priorities. Yet the unique nature of climate and environmental challenges, which do not recognise national frontiers, introduced a major policy dilemma for the CAP.

3. Where does the EU farm policy want to go?

How to advance common trans-border policy responses while drawing the lessons from the failure of greening, which was generally attributed to its “one-size-fits-all” approach? The answer was to propose a **shift in the emphasis of the CAP from compliance and controls to performance and results**. Central in this shift is a **new “green architecture”** whose aim is to provide the necessary boost for the transition towards sustainability in the agricultural sector. The ambition to make the EU food system more sustainable is reflected in the priorities set by the newly introduced CAP specific objectives, and the whole analysis underpinning the IA.

In it, **climate change is considered as the catalyst that will drive policy reform**, and actions around environmental, climate and biodiversity challenges are prioritised. The issue is not whether, but how to best address these priorities. From various alternatives, the one chosen in the CAP is that of a **holistic, integrated approach on land use**.

This approach has as its starting point the shift of the CAP towards more performance and uses an evidence-based identification of needs to define in national **Strategic Plans** specific actions linked to measurable targets. In this, **economic and environmental challenges are addressed “jointly”**, to use an often-misinterpreted term, by promoting land management practices that increase the level of ambition throughout all the territory, thus **contributing to the global need to produce more with less**.

Having evidence of the state of play of soil, air, water and biodiversity on all land has the advantage of **prioritising exactly the actions addressing** the specific problems identified by information that is publically available. Thus, not only is transparency guaranteed, but so is greater effectiveness and efficiency with early stakeholder involvement in the design of MS and regional Strategic Plans.

The question that is being asked is whether the CAP reform proposal is at the level of required ambition to transition EU agriculture to a sustainable system. Most of this doubt and ex-ante criticism is not addressed to the proposal as such; rather, the doubt is on whether one could see a repetition of the “greening” experience with co-decision watering down the initial level of ambition.

This criticism treats **agriculture** as an exception, rather than as **an integral part of a global EU strategy to address climate change**. In doing so, it fails to see not just the urgent need for action, but the concrete examples demonstrating that such actions already take place on the ground, aiming not just at mitigating farming's contribution to climate change but adapting farming to its current impact.

The role of public policy is, first, to identify correctly the various trade-offs among different choices, and then, advance those options that prioritise climate with solutions that are both economically and socially sustainable. With today's technological advances, the former seems to be easier than the latter.

To be able to achieve both, the setting of targets has to carefully look at the basic facts that determine the “baseline” against which progress will be measured, and accompany such a strategy with a solid, fact-based adjustment strategy. This is why a number of **guarantees for the environmental and climate ambition** were embedded in the proposal for a future CAP:

- an **enhanced conditionality**, which, with a degree of streamlining, adds to the current and new environmental and climate rules, ensuring that these rules will apply on a compulsory basis on all agricultural area.
- the introduction of **voluntary eco-schemes** under Pillar I and **environmental and climate management schemes** under Pillar II, with the necessary **flexibility** for Member States to set attractive schemes, aiming at covering as much agricultural land as needed to eventually reach the environmental and climate objectives.
- the better **integration of the national Strategic Plans to national climate actions** and other priorities on environment and health, and their link to eventual targets set at EU level.

4. Where is the link with the Green deal and the Farm to Fork Strategy?

Agriculture plays a major role in the EU Green Deal by **managing 50% of EU land** surface, capturing but also emitting carbon and other GHGs, affected by and needing to adapt to climate change and using natural processes to produce food and other raw materials that are essential for our wellbeing. Obviously, the **CAP** is the policy that already has an impact in the above, and is asked to deliver much more in the future in improving its overall **contribution to the Green Deal**. As the Green Deal Strategy clearly identifies, **Strategic Plans are the vehicle** to introduce such ambition.

The **Farm to Fork Strategy** will reflect the concrete reality of how, in this on-going major transformation of food systems worldwide, the EU experience can become pertinent by promoting policy- and private-driven initiatives that demonstrate that sustainable best practices can be successful in jointly increasing economic and environmental/climate efficiency. This EU experience is also pertinent because, in many areas throughout the food chain, bottlenecks (e.g. access to knowledge, investment needs, risk management tools) hamper the generalisation in the use of such practices.

It is true that the public debate gives the impression of a split in deciding whether it is worth attempting to jointly address economic and environmental targets, or assume the risk of letting them develop separately. This dilemma also reflects how challenges for **jobs and growth in rural areas** are perceived. Job losses stemming from an ageing and declining farming population are not expected to stop in the future (despite the fact, their rate of decline has slowed down significantly of late). Yet **job gains stemming from knowledge-based services and value-added along the food chain** and in rural areas often compensate labour-saving new technologies, thus providing the sector with a unique opportunity to **turn this transformation into a knowledge-based growth strategy**.

The **challenges** that EU agriculture has to address today exceed anything that it has faced in the past in terms of extent and complexity. Yet in parallel, the **opportunities** of meeting these challenges have never been greater. By focusing on the **synergies between economic, environmental and social dimensions of sustainability**, and better integrating agricultural and to other policies related EU policies, the CAP could allow the EU to do better in many fronts, from climate and environment to research, innovation and technology, from bio-economy and the digital economy to trade.

Thank you for your attention!