

European Rural Development Policy - Implications for Agri-Environment Schemes

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A little history...

- 1985 Voluntary EU agri-environment scheme introduced by Structures Regulation 797/85
- 1992 MacSharry accompanying measure
- 1999 Agenda 2000 introduced Pillar 2 concept through single Rural Development Regulation
- 2003 Mid-Term Review
 - Introduced chapters concerning agri-environment standards, animal welfare and food quality
 - Introduced modulation to fund these new measures

Some more history...

- 2005 Rural Development Regulation
 - Three Axes (plus LEADER)
 - Introduced a single set of programming, financing, monitoring and auditing rules
 - Established a single rural development fund, the EARFD
 - Required a strategic approach to rural development at EU and national levels

EU rural development policy 2007-2013

1. EU Strategic Guidelines establish the Community Priorities for the period 2007-2013

A strategic approach

2. National Strategies reflect EU-priorities according to the situation in the Member State concerned

3. Establishment of national or regional programmes on the basis of SWOT analysis

4. Programme implementation accompanied by monitoring und evaluation („ongoing evaluation ") based on a Community framework

Source: Pielke, 2008

2008 CAP Health Check

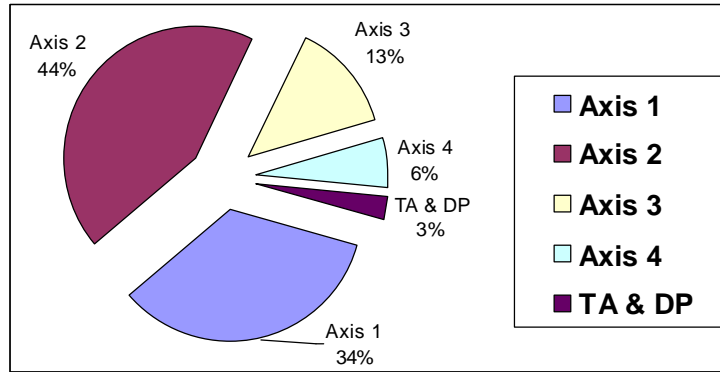
- Expand remit of RDR to risk management, climate change, water management and biodiversity
- Extension of modulation to provide funding for these new measures
- [replacing the current set-aside policy with an equivalent environmental instrument]

Purpose of Pillar 2

- Intended to “accompany and complement the market and income support policies of the common agricultural policy and thus contribute to the achievement of that policy’s objectives as laid down in the Treaty.”
- Sectoral vs territorial focus
- Note that CAP Rural Development Plan only a subset of rural development spending in the National Development Plan

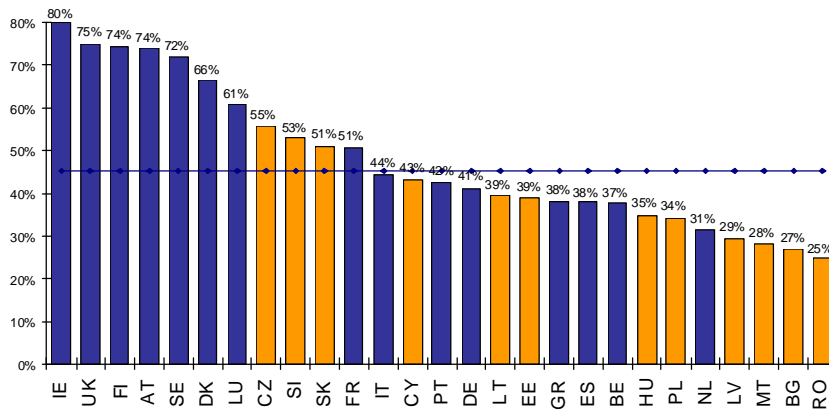
Rural development policy 2007-13 - state of play

EAFRD-Expenditure per axis



Agri-environment spending 2007-13

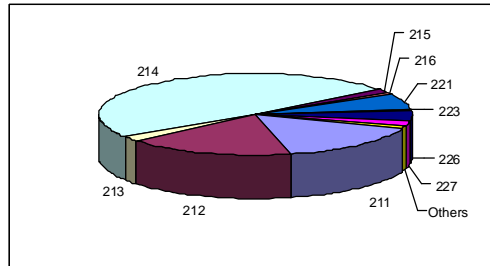
**EAFRD-Expenditure in Axis 2 (Environment/Land management)
as part of Total by MS**



Breakdown of agri-environment measures

Important measures under axis 2

- € 19,8 billion to 'Agri-environmental Payments' (214)
- € 12,8 billion to Less Favoured Areas (211+212)



Source: Pielke, 2008

Effectiveness of EU agri-environmental measures

- Evaluation is not easy...
 - Lack of appropriate data
 - Long timescale needed to show results
 - Large variety of objectives and measures financed
- ..but results a little disappointing
 - Concentrated on improved landscape and wildlife management
 - Strong spatial concentration in a small number of Member States
 - The voluntary incentive approach has been less successful in intensively managed areas
 - Strong local economy effects but limited impacts on some targets, e.g. biodiversity, and frequent windfall effects

The future context for EU agri-environment schemes

- Trends in world food markets...
 - will put added stress on the natural environment in intensive farming areas
- Further reductions in CAP external protection...
 - will make farming in marginal areas unviable
- Stronger public demand for environmental protection..
 - will raise the baseline for what is regarded as good farming practice

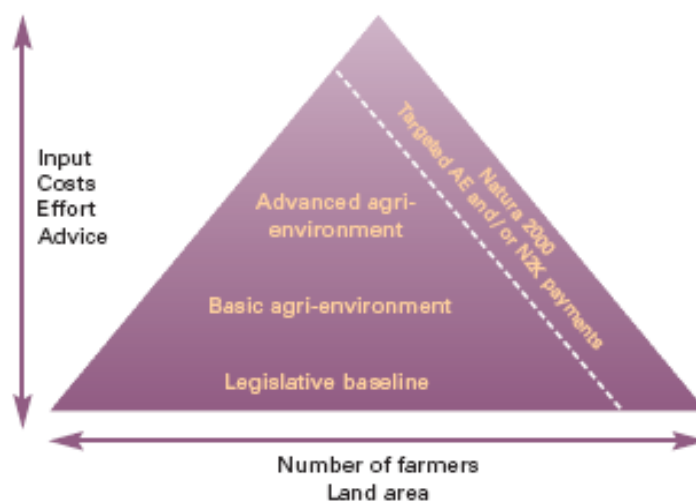
The future context for EU agri-environment schemes

- The climate change agenda...
 - will have significant implications for land use
- The future role of Pillar 1 payments
 - will they be reduced in size?
 - will they come with higher environmental conditionality (cross-compliance)?

The justification for agri-environment schemes

- The multifunctionality argument
 - Farmers produce valued environmental services
 - Which risk being under-provided by the market
 - Environmental services are **public goods**
- How should we define the quantity and quality of public goods to be provided through agricultural land management?
- How to design agri-environment schemes to deliver these public goods at least cost to the taxpayer?

The future for EU agri-environmental policy



The future for EU agri-environment policy

- Where to set the baseline for good farming practice?
- Performance-related payments rather than payments for farm practices
- Protecting high nature value farmland
 - A more targeted role for the Less Favoured Areas Directive?
- Will Pillar 2 remain with DG Agri?
- How much funding will be available?

CAP budget as % of total EU-27 budget in 2007-2013, in € billion, current prices

Year	2007	2008	2009	2010	2011	2012	2013
Total EU spend	128 091	131 487	135 321	138 464	142 445	147 075	151 886
Total CAP	58 102	58 759	59 170	59 608	60 488	60 912	61 338
CAP as % of total	45.4	44.7	43.7	43.0	42.5	41.4	40.4
Note: These figures are in current prices (i.e. after adjustment for inflation).							

Overall CAP budget framework in 2007-13 for EU-27, in € billion, current prices

Year	2007	2008	2009	2010	2011	2012	2013	Total
Pillar 1	45.759	46.217	46.679	47.146	47.617	48.093	48.574	330.085
Pillar 2	12.343	12.722	12.491	12.462	12.771	12.819	12.764	88.372
P2 as % of P1	27.0	27.5	26.8	26.4	26.8	26.7	26.3	26.8

Note: These figures are in current prices (i.e. after adjustment for inflation). Pillar 2 figures include sums to be raised via compulsory modulation from 2007 onwards (assuming 5% modulation rate).

Source: European Commission.

Conclusions

- Significant damage is still being done to Europe's natural environment..
- ..but the CAP no longer the main influence
- There is strong public demand for agri-environment services...
- ...but the cost of providing these services is going to rise because of growing competition for land use
- EU can balance four instruments
 - Statutory environment regulation
 - Cross compliance
 - Agri-environment schemes
 - Less favoured areas scheme

Conclusions

- Given the public good nature of environmental services, public funding is the crucial determinant of supply
- A significant redirection of Pillar 1 funding towards Pillar 2 in the post-2013 financial perspective seems the most promising route to defending a significant CAP budget in the current debate on EU budget priorities
- Significant redistribution between Member States a likely consequence