



Towards a sustainable CAP

International Federation of Organic Agriculture Movements – EU Regional Group

Towards a sustainable CAP

*Key demands of the IFOAM EU Group
for a sustainable CAP 2014-2020*

1 December 2009

1. Introduction

The world is facing major challenges that are closely related to agriculture. Climate change, loss of biodiversity, falling water tables, water pollution and soil erosion are a threat to the future agricultural productivity and to human health, while hunger is still a problem in many parts of the world, and the growing population intensifies strains on the food supply. Agriculture is both part of the problem and part of the solution. Whereas unsustainable agriculture practices have contributed to environmental and social damage over the last 50 to 100 years, traditional and sustainable farming practices can deliver safe and healthy food for all at the same time as enhancing biodiversity, protecting water and soil quality, and contributing to the mitigation of climate change.

The Common Agricultural Policy is one of the main instruments of the European Union to align agricultural practices to meet future challenges. A more sustainable CAP has been promised by the European Commission and European governments since 1992. Some steps towards a more sustainable CAP have been taken during the last years, but still the bulk of the CAP budget (79% in 2008) goes to direct farm support without any evaluation of results and to market intervention including the indefensible practice of dumping surplus production on developing country markets. Despite its small budget, the second pillar with the Rural Development measures has progressed since its introduction in 1992, but the implementation differs considerably between Member States. There exist both good examples of environmental measures and very poor ones such as “low input farming” that in many countries supports farm incomes rather than delivering environmental benefits. The incorporation of the challenges identified as part of the CAP Health Check into the ongoing Rural Development Programmes will not reverse the situation, particularly with such a small budget having been allocated for the purpose.

It is high time for a real reform, to reconsider the objectives of the new CAP, and how the money should be spent. Public money should be spent for sustainable agricultural systems that serve the public interest in multiple dimensions and in the long term. The CAP should be designed to address its new objectives and to propose a clear model that accommodates the heterogeneity of European agriculture: sustainable farming for healthy food and a healthy environment.

2. Mainstreaming sustainability

The central concern of the organic farming movement is to achieve ecologically sustainable agricultural production systems everywhere, capable of providing everyone in the world with a secure and equitable supply of good food that allows healthy diets and clean water.

Key characteristics of such systems are that they

- Rely primarily on local, renewable resources, including local production of protein crops and reducing use of concentrate feed;
- Maintain the fertility and biological activity of the soil;
- Maximise recirculation of plant nutrients and organic matter, including waste resulting from food consumption;
- Use only natural and mineral substances and processes that do not harm the integrity of food ingredients;
- Maintain a high level of biological diversity in the production system as well as in the agricultural landscape;
- Provide farm animals with diets and welfare conditions which reflect their ecological role and allow them to express their natural behaviours;
- Adapt to the changing climate and contribute to the mitigation of climate change by cost-efficient carbon sequestration in agricultural soils.

These criteria can lead to different approaches according to the geographical situation, but they can only be met when the principles of ecological sustainability are allowed to influence all relevant social, economic and political factors in the production system. In our experience, this requires that:

- Farmers have full access to the necessary means of production, such as land, water and genetic resources;
- Economic conditions allow adequately remunerative farm incomes;
- Local and regional production is given priority in agricultural policies;
- Traditional farming systems are protected and recognised as an important source of knowledge and progress in the future as well as for their own intrinsic benefits;
- Farm products are recognised as food and cultural regional goods and not treated exclusively as a commodity.

The organic farming movement in no way claims exclusive ownership of these basic principles of sustainability. On the contrary, we believe that they need to be adopted and applied by all agricultural systems. No farming system can afford to disregard them in the long run, as is already evident from the major ecological and health disturbances caused by European agriculture.

At the present time, organic farming is the most advanced and best developed sustainable agriculture method, the only one with a worldwide certification system in place. This has been established thanks to continuous efforts by farmers and processors as well as to consistent support from a growing number of consumers. Organic agriculture has become a rich source of innovations and examples of sustainable practices for the whole food and agricultural sector.

Organic farming as a model for sustainable agriculture

Organic farming is a consistent approach which contributes to all aspects of sustainability. In the areas of green house gas emissions, biodiversity, nutrient pollution of water, food and nutrition, pesticide pollution, energy use and efficiency, soil protection, environmental pollution, animal welfare and on-farm employment, organic farming delivers on average much better results for sustainability than conventional farming.

There are some good examples of effective government support for organic farming in Europe. However, despite the EU Action Plan for Organic Food and Farming (2004) having urged Member States to use Rural Development Programmes to improve organic farming in the EU, it can be seen from various evaluations¹ that organic farming is not yet fully recognised and supported in all Member States and regions. In light of this, the European Commission should provide an assessment of potential impacts of the next CAP reform on the organic farming sector.

While organic farming delivers ample public goods, the market only partly compensates for the higher costs of organic production. At the same time, many conventional farming methods still continue to cause environmental harm and these external costs are an economic burden on society. Therefore conventional and organic products compete on a distorted market. Due to this market failure, support through the CAP is still necessary to encourage the uptake of sustainable organic farming practices. The share of organic farming in Europe should be significantly increased in order to reach a more sustainable farming landscape over the entire European territory.

¹ See for example: Alexandra Pohl, 2009, "How do European Rural Development Programmes support organic farming", published by IFOAM EU group

3. New objectives for a new CAP

The objectives of the CAP have remained unchanged since the Treaty of Rome in 1957². It is evident that the objective, “to increase agricultural productivity” needs urgent revision, although the other objectives continue to be valid today. The drive for increased agricultural productivity is neither justifiable in terms of level of expenditure of the CAP budget nor desirable in terms of the delivery of public goods and services to society. Intensification has been the main driver of environmental degradation caused by agriculture. We believe productivity should be considered one objective among many of a multifunctional agriculture which delivers food production in a sustainable way.

The first objective of the Common Agricultural Policy is due to be modified according to the sustainability principles:

*“to **ensure** the productivity of agricultural land by promoting **sustainable** farming practices that deliver **healthy food and a healthy environment guaranteeing a careful utilisation of natural resources.**”*

Under the new CAP, money must be spent in a targeted way according to public interest.³ We believe that it must:

- guarantee food security;
- guarantee access to healthy and safe food, without any social exclusion;
- ensure rural vitality in terms of local economic development of farming and forestry that respects natural resources, social fabric and tradition;

² Article 33 of the current treaty (Article 39 of the Lisbon treaty):

The objectives of the common agricultural policy shall be:

- (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;*
- (b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;*
- (c) to stabilise markets;*
- (d) to assure the availability of supplies;*
- (e) to ensure that supplies reach consumers at reasonable prices.*

³ Short definition of “public interest”: *Welfare of the general public in which the whole society has a stake and which warrants recognition, promotion and protection by the government and its agencies.*

- provide public goods⁴ to society through improved agricultural practices (promoting practices that achieve considerable improvements in, for example, climate change mitigation, biodiversity, animal welfare, landscape diversity, water conservation and quality, halting soil erosion and degradation, and sustainable green energy production).

4. How to redesign CAP – Public Money to deliver Public Interest

Public money should be spent according to public interest to realise the new objectives described above by supporting sustainable production systems that are providing public goods. The past programming periods missed the opportunity to adequately tackle the environmental emergency. This was partly caused by the CAP itself, in particular the first objective of increasing productivity, and the second of supporting the income of farmers (the same ones that profited from production support). The transition from production support to income support and finally to decoupled Single Farm Payments did not prevent the same 20% of farms receiving 85% of the CAP's total budget.

There is a need for a fundamental reform that recognises the central importance of farmers who produce food whilst reducing greenhouse gas emissions and enhancing the environment. Organic food and farming provides a model of agriculture that does exactly this, delivering to public interest and providing EU citizens with value for money.

4.1 Principles

Following the agreement of the long-term and specific objectives of the CAP, a set of strategic principles should be identified to guide the reform of all individual CAP regimes. We suggest the following principles be incorporated as a minimum:

- *Support only for contribution to objectives.* Public funds will only be used to pay for measures that advance the public interest. No support will remain directly connected to production volumes. Farms which contribute more to CAP objectives will receive more support.
- *Support only to land-based production.* Under sustainability and quality objectives, there is no reason for the CAP to support production with little or no relation to agricultural land. Animal production will qualify for support to the extent that it is connected to feed production, local production of protein crops included.

4 Short definition of “public good”: a is a good that is non-rivalled and non-excludable

- *Counterbalance.* CAP measures will be designed to counterbalance disadvantages caused by climate, location, size, infrastructure and other economically relevant factors between regions and individual farms.
- *Non-interference with foreign markets.* Support measures for EU farmers will be designed not to interfere with foreign markets, particularly not in developing countries.
- *Fair distribution of support.* Avoid unfair distribution of payments where 20% of farms receive 85% of the SFP. A possible mechanism would be to link payments to farm labour force (mechanism to be implemented above a set threshold of payments per farm).
- *System approach.* Systems of sustainable agriculture which are solution multipliers and address multiple objectives simultaneously should be preferentially supported over to farming methods that only deliver on one or a few components of sustainability.
- *Simplification.* Simple, general measures will be preferred, to give more room for market mechanisms and more flexibility for farmers.
- *Payment calculations should consider externalities.* As long as no system is established to internalise the external costs of conventional agriculture, CAP support should not only cover any loss of income derived from applying sustainable farming but also quantify the externalities that this activity is able to internalise. Only in this way can sustainable agriculture systems such as organic farming be properly rewarded compared to conventional systems which externalise environmental and health costs that eventually fall on society's shoulders in the form of climate change through green house gas emissions; water pollution with nitrates and herbicides; pesticide residues in food; loss of ecosystem fertility due to monocultures, poor crop rotations and mineral fertilisation; soil salinisation due to poor water management and so forth.

4.2 A new structure for the CAP payments

If all support is to be directly connected to CAP objectives, there must be specific conditions attached to all support systems. How would this work?

Under the present CAP, direct payments absorb the lion's share - 60% - of the total budget. The continuation of direct payments as they currently stand is hardly justifiable, as they are mainly based on historical considerations and fulfilment of a few legal requirements.

In a reformed CAP the new sustainability and quality objectives should be translated into a new and much more ambitious set of minimum conditions for general direct payments: "CAP Practice". Unless the complete set of conditions is fulfilled, a farm will not be eligible for any direct

payments. Standards of "CAP Practice" should be substantially above those of existing legal requirements.

A common framework definition of the standard will have to be agreed at the EU level to ensure equivalent treatment of farmers in all Member States. Detailed criteria must, however, be adapted to national and regional conditions. They should therefore be worked out by Member States, subject to approval by the Commission.

In order to meet the objectives of fair living standards for farmers and the sustainment of farming in all regions of Europe, CAP support is still necessary. But this support should be strictly conditioned in coherence with the demand to deliver to the public interest.

In order to achieve a fair redistribution of funds, measures such as an upper ceiling or degressive payments have to apply to the baseline payment. The content of the "CAP Practice" should be simple and clear, and not be limited to environmental requirements in a narrow sense. Various parts of the new CAP objectives should be reflected. Some suggestions:

1. *Crop rotation.* A minimum of diversity in cropping patterns.
2. *Livestock density.* Only farms below a set limit of livestock unit/hectare should qualify.
3. *Non-cropped elements.* A small percentage of the holding should remain non-cropped to provide for flora, fauna and cultural preservation (hedgerows, watercourses, etc).
4. *No ploughing of previously unploughed semi-natural grasslands.*

Farmers who produce according to legal (minimum) requirements will not receive any payments but will be eligible for safety net measures.

At the Basic level, which the great majority of farmers could be expected to opt for, there will additionally be a requirement to comply with "CAP Practice". This will give access to general direct payments.

At the *Advanced Level* farmers will be able to voluntarily enter into a range of more specific sustainability or quality commitments. In line with the principle already outlined above, targeted payments should only be available for commitments which go beyond "CAP Practice".

Level	Requirements	Type of support	Objectives delivered
<i>Advanced</i>	<i>Environmental performance support schemes</i>	Support for systems with higher performance on objectives, such as organic farming and environmentally sustainable farming in "High Value Areas"	<ul style="list-style-type: none"> - guarantee sustainable production of healthy and safe food for all - ensure rural vitality - provide public goods to society (climate change mitigation, biodiversity, diverse landscapes, clean water, halting soil erosion and degradation, sustainable green energy production).
<i>Basic</i>	<i>"CAP Practice", a range of rules for farming practices that go beyond legal requirements</i>	Flat rate payments (per hectare)	<ul style="list-style-type: none"> - ensure the productivity of agricultural land by promoting sustainable farming - ensure a fair standard of living for the agricultural community - assure the availability of supplies - ensure that supplies reach consumers at reasonable prices
<i>Legal</i>	<i>EU, National legislation</i>	Safety net only (market stabilisation)	<ul style="list-style-type: none"> - stabilise markets

Additionally to this approach the future CAP should keep its ability to regulate supply on the EU market, if such measures are necessary to protect family farming and/or to deliver social or environmental needs. Dairy production clearly appears to be a sector which cannot meet the objectives of the CAP without market organisation.

4.3 What must be abandoned in CAP 2014-2020?

- *Any kind of export subsidies*
- *The historical reference for Single Farm Payments*
- *Most coupled payments should be stopped in 2014 at the latest (apart from those necessary to keep farming in less favoured areas).*
- *Subsidies to intensive - not land based - livestock production.*
- *Agri-environmental schemes not clearly delivering public goods*

4.4 Budget

In order to reorient the CAP to meet new objectives as outlined above and address the environmental challenges we are facing, particularly climate change, a considerable budget is needed and no cuts should be made to the CAP budget. Within the budget, however, we see the need for considerable redistribution. There is a need to increase the budget for current second pillar measures, which are much more justifiable as a target for public funding due to their

contribution to public interest. Therefore, the total budget should remain unchanged, but its structure and management should evolve to meet the new CAP objectives.

Until now, the first pillar budget has been fully financed by the EU, while the second pillar is co-financed by Member States. This creates differentiation between countries regarding priorities, measures employed and results achieved in the Rural Development Programmes. This differentiation should cease. Failure to address this discriminatory financial system will always lead Member States to fight hard for first pillar funding, leaving the targeted, sustainability-promoting second pillar instruments as a second-best option from a financial point of view.

The next programming period should have one regulation, one budget and one co-financing approach common to all support measures. We believe co-financing is the best way to improve spending discipline across Member States.

The **IFOAM EU Group** is the European working level within the International Federation of Organic Agriculture Movements. It brings together more than 300 organisations, associations and enterprises from all EU-27, EFTA and candidate countries. IFOAM's goal is the worldwide adoption of ecologically, socially and economically sound systems that are based on the principles of Organic Agriculture.

The IFOAM EU Group acknowledges the financial support of the European Community, DG Environment, throughout the year 2009. The sole responsibility for all publications lies with the IFOAM EU Group and the Commission is not responsible for any use that may be made of the information provided by IFOAM EU Group.
