



“CAP post 2020: debate”

The future of food and farming: perspectives and Spanish vision

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Agrifood sector in good shape

- Agriculture is not at all an old fashion activity but a thriving one with a promising future, in ongoing evolution to face new social demands on climate, environment, health, animal welfare and, in general, the way in which society expect the food should be produced.
- The share of the Spanish agrifood sector in the domestic GDP is over 10 %; 2.2 million jobs; exports amount more than 50 blillion €; Spain is the 8 th agri food exporting country.
- Agriculture activity cover more than 75 % of our territory, being the main driver in managing our landscape and natural areas.

The role of the new CAP in the future of food and farming

- First of all, the **status quo is not a choice** not only for the CAP as an evolving policy but also for the future of our farming sector.
- **The next decade agricultural production will change** (is changing now) driven by social changes in food perception to face the double challenge of sustainability (climate & environment) and the rise of global demand (opportunity).
- **The CAP post 2020 should go along with those changes**, promoting over all, the change towards sustainable agricultural practices through the acquisition of practical knowledge by farmers.

The Budget.

- **In the budget debate, the CAP has been presented as an “old fashioned” policy** without enough European added value. The “Reflection Paper on the future of the EU finances”, of June 2017, showed the CAP in that way, spotting the path to making savings in the budget.
- **One of the main features depicted in the Reflection Paper about the CAP was the supposed lack of fairness** in the distribution of direct payments, based on the simplified assumption that 20 % of the beneficiaries receive 80 % of the payments (part time & very low scale farming). At the same time other policies were depicted in more friendly ways.

The Budget

- **The proposal for a new budget (MFF) 2021 – 2027**, of 2nd of May, must be interpreted in the framework of the future of the EU after Brexit (White Paper on the Future of Europe, March 2017).
- The combination of Brexit (financial gap 90 b€) and new challenges (financial gap 100 b€) related to defence, migration, internal security, research, has led to a proposal based on an increase of new contributions by MS in terms of GDP (1,114 %) & a reduction of the budget (CAP and Cohesion) to finance both Brexit and new necessities.

Commission's Communication

- Finally, the Commission Communication on the Future of Food and Farming, of November 2017, had the merit to introduce the CAP in the debate of the future of the EU & the EU budget as a policy with real added value, offsetting some ideas that were floating in the debates spotting the CAP as an old policy to be devolved to MS.
- **Main features of the Commission's Communication:**
 - Alignment with the **EU international commitments** on climate change (Paris Agreement) & sustainability (Agenda 2030 SDGs).
 - **A deep change from a prescriptive policy to a result driven policy** with all interventions belonging to P1 & P2 gathered in a single comprehensive and coherent national CAP Plan focus in achieving the general & specific goals established at EU level.
 - **A bet for fostering knowledge in agriculture** as a way to address the challenges related to the environment & climate.

Spanish view

- **The starting point:** the current CAP can be a **good base** to build the future CAP post 2020.
- **Certainty and stability** is of capital importance for farmers and the agrifood sector. Farmers must be sure that changes in the legal framework of the CAP should be a consequence of an evolution process.
- **The Spanish position** on the future of the CAP will be the result of a long decision process on which the Conference of regional ministers (Conferencia Sectorial) chair by the Minister of Agriculture will established the final implementing model for the CAP, after taking into account all the consultations with stakeholders.

Spanish view

- **The new CAP plan is going to be a challenge for a decentralised country** as Spain is. There must be a wide agreement to elaborate the CAP plan, taking into account that legislation on first pillar should be produced at national level while legislation and implementation of second pillar measures should be carried out at national and regional level (current 18 RDP). Rural development programs should be integrated in a coherent way in the single CAP plan.
- On this issue, it will be of the outmost importance that the CAP plan can be **approved partially** by the Commission, especially in order to avoid delays and disruptions in making pillar one payments.

Direct payments

- The debate about the **definition of “active farmer”** in Spain turned around the way to link the allocation of payment entitlements to real farmers, more than about large corporations receiving direct payments (which is not a big issue in Spain). The active farmer definition was conceived in Spain to facilitate the leasing of land and entitlements to real farmers instead of allowing the retention of entitlements by land owners without a real farming activity.
- The new definition of **“genuine farmer”** should allow to keep this approach promoting real farming activity & taking into account partial time farmers.

Decoupled payments

- **Decoupled direct payments** are still necessary to provide stability to the income of farmers; most of our productions depend on DP to breakeven.
- There will be an **intense debate among Spanish regions about:**
 - The pros and cons of keeping or removing **payment entitlements** and over all about using historical references to allocate those entitlements.
 - And the type o **regional model** to differentiate the value of payment entitlements.
- Behind this debate lays the debate about **internal convergence**, where regions with payments per hectare under the national average claim to increase their payments.
- That debate will be complemented with the debate about **capping** the direct payments to a given figure in the range of ¿60.000 €? per beneficiary and the new compulsory **redistributive payment** design to cope with the 20/80 debate.

Coupled payments

- The current **share of coupled direct payments in Spain is 12 %**.
- **Coupled payments** are mostly devoted to extensive farming, particularly suckler cows, sheep and goats whose activity is deeply linked to the management of pasture land.
- Increasing the **share of coupled payments** should not be a priority for Spain in the coming negotiations.
- Decoupled payments should be the rule in an market oriented CAP.

Environmental architecture of the CAP

- The proposed **Enhance Conditionality** must be a natural evolution of the current Cross Compliance & green payment.
- Cross Compliance (since 2006), green payment (since 2015) and agri envi measures (since 2000), has changed for good agricultural practices. We can argue about the speed of the change but not about the change: farmers are more and more aware about crop rotation and land management to avoid erosion, use of phitosanitary products... New farmers are bringing with them innovation and over all interest to make things better on sustainability and efficiency.
- Under the new CAP plans, the **final set up of the new Conditionality** should be established at MS level, so as requirements can be adapted more specifically to regional or local conditions.
- The **Enhance Conditionality** should allow MS to achieve climate and environmental goals: reduction of GHE & air pollutants (SP Estrategy).

Risk management

- Spain counts with a well established agricultural insurance system against bad **weather conditions**.
- **Risk management tools** to face the consequences of market volatility:
 - **Mutual funds** has not been implemented yet successfully; after Omnibus regulation reform, there would be some room to use mutual funds specially in producers organizations through operational programs.
 - **Income stabilization tools**. IST play the same role that direct payments and in the long term would not be compatible. At the time being the best IST are decoupled direct payments.

Crisis management

- **No more no less.** Current tools (public and private storage, measures for special circumstances) can be enough if they were implemented timely & efficiently, not too soon and not too late in situations of big market imbalances.
- **Transparency,** accurate and comprehensive sectorial data (dashboards) are key to manage the decision making process linked to crisis management.
- **There is a weakness in the crisis management process.** Farmers should be the first firewall in case of crisis, (when the crisis is no so big), but they can not cope with crisis alone but through producers organizations and, at the time being, in many cases POs are not prepare (even when they exist) to implement efficiently measures dealing with market imbalances.

Final remarks

- **The CAP post 2020 reform will be the “CAP Plan reform”**: ingredients (interventions or measures) will be essentially the same but the result oriented approach will change everything. What matter is to achieve the goals.
- Concerns about the **approval process of CAP plans**. Commission’s discretion will be higher than now to approve the way measures can be implemented (keep attention to the role of different DGs).
- MFF negotiation along with CAP negotiation: tight timing. est date for new first year = CAP 2022.

Thank you for your attention
Muchas gracias por su atención



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