

Which future for the Common agricultural policy? *Some discussion points*

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1. About the market regulation in the last CAP reforms

Based on the case of milk markets (Trouvé et al., 2016)

- A dismantling of market regulation tools, which lead to high and new volatility in agricultural prices
 - difficulties for long term investments
- More risks of overproduction and lasting price falls, as there is no more regulation of production volumes,
- With the removal of quotas especially, concentration of agro-industries and power relations increasingly disadvantaging farmers (cf. France)
- An increased geographical concentration of production and the strengthening of regional specialization

What's planned in the future reform ?

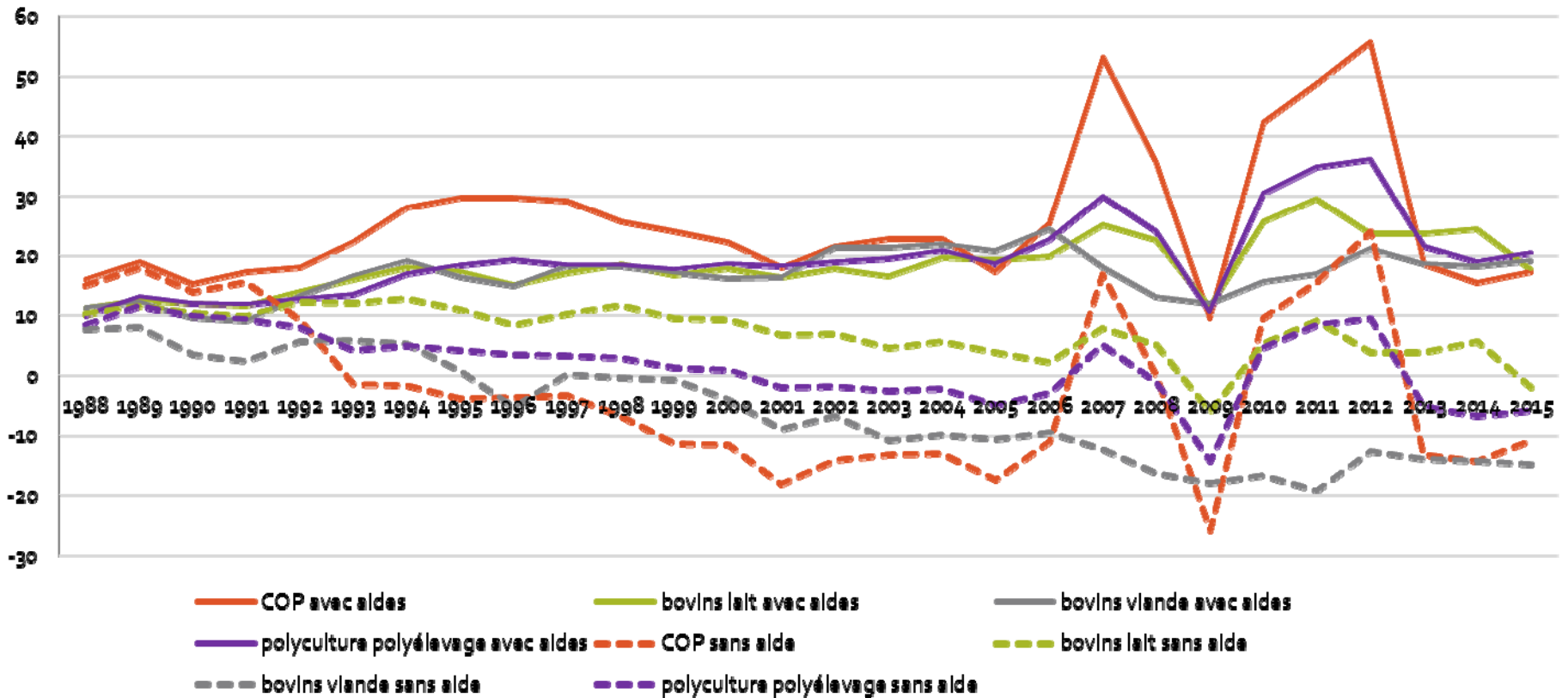
- Only one recent measure for regulating agricultural markets: aid to reduce milk production (2016/2017), with positive effects on prices (Fink Kessler, Trouvé, 2018)
 - But not included in the omnibus regulation on agricultural markets (2017) or the European Commission's proposal for the future CAP
- No continuation and improvement of the European crisis reserve
- More broadly, no new proposal for regulating prices and volumes of production
- Instead, focus on risk management tools (insurance schemes, mutual funds)
 - Not sufficient itself
 - Concerning income stabilization, problems of “systemic risk” and **long fall of crises + no use of this measure during the current CAP**
 - Risks of higher dependence of farms on insurance companies
 - No focus on risk management based on agronomic adaptations (e.g. diversification of productions)

2. About the distribution of CAP subsidies and the environment

- In France, still in favor of farms with less positive environmental effects (Kirsch et al., 2017)
- With a compensation by the 2nd pillar subsidies which is not sufficient
- Contrary to Germany, which chose the complete harmonization of amounts of 1st pillar subsidies (+ relative strong 2nd pillar amounts)
- Increasing subsidiarity for distributing subsidies, which allows countries to continue to give less public money to farms with the most environmental and social positive effects

Maintained dependance on direct subsidies and increased volatility of incomes (case of France)

Farm income, with and without subsidies (* 1.000 euros). FADN Data.



What's new in the EC proposal for the future CAP ?

- No obligation for continuing internal convergence
- Even more subsidiarity
 - without specified penalty in case of no compliance with the objectives set in the future national and regional "CAP support plans"
 - in a European free trade area, increased differences of support to the same production systems, from one country/region to another
- However with some possible progress for more legitimacy of CAP subsidies
 - Obligation of redistributive payment (but with no indicated level)
 - Capping at 60.000 euros (+ salaries) / farm (but with many possibilities for avoiding it)
 - Allocation of 2% of 1st pillar subsidies to young farmers

- 2nd pillar subsidies

- with insufficient amounts for encouraging whole changes of practices in every region (see national assessments)
- With especially insufficient amounts for agro-environmental measures and organic farming (cf. France)
- EC proposal for the future CAP : less money especially for the 2nd pillar (-10%) and possibilities for MS to transfer money from 1st to 2nd pillar
- « Green payments » : some big arrangements (e.g. in France for mais producers in favor of monoculture)
- A negative assessment from the European Cour of auditors because of the lack of incentives for changing agricultural practices
- Proposal of the future CAP : instead of improving greening, a simple removal of this measure !
 - Towards a levelling down of environmental constraints ?

Some proposals for another CAP

- Beyond the amount of CAP budget, which legitimacy of supports ?
 - CAP supports for environmental and social services and for facilitating transition of farms systems
 - Stabilizing farm incomes and maintaining them at fair levels, thanks to an increased farm added value
 - Prices at fair level, decreased production costs which are damaging environment...
- Tools for regulating markets
 - efficient European reserve in case of crisis
 - with a significant and pluriannual budget
 - with clear definition of crisis according to each production
 - Leading in case of overproduction to subsidies for reducing production or even to taxes in case of increased production
 - Minimum storage and prices management
- + regulating production volumes, at least in case of market crises
 - At the national level, regulating the power balance between farmer and downstream enterprises → regulation of prices inside interbranch organizations (see MMO in USA) ? Reinforcing producers organizations ?
 - Keeping strong border measures

- All subsidies under environmental conditions, including at a European level
 - With increased amounts according to the level of environmental practices
- Subsidies capped at low level per farmer, for advantaging employment and familial farming
- Strong additional subsidies for changing farm practices, organic farming, direct short supply chains...
 - With ecological and social transition contracts signed by farms, after a diagnosis of each one
- Coupled payments for productions with recognized nutritional and environmental value (e.g. pastures, pulses, fresh fruits and vegetables...)