



*EU Environmental Policy Briefing**

French Presidency Publishes Discussion Paper on Future of CAP

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The French Presidency has issued other EU Member States with a document in order to prepare for talks at the informal EU Agriculture Ministers meeting on 21 to 23 September. Michel Barnier, French Agriculture Minister and current EU Agriculture Council president, will host this meeting in Annecy, in his home region of Rhône-Alpes. As was proposed some months ago, the French Presidency intends to use this occasion to launch a debate about the future of the CAP.

Alongside finalising the negotiations on the CAP Health Check proposals, France wants to use its Presidency to initiate a debate about the future direction of agricultural policy post 2013, when the current financial framework is due to end. They want to ensure that the discussion starts before the talks about the EU Budget begin in 2009. In Annecy, other issues will also be on the agenda, such as the new threats posed to EU farming by emerging diseases and the issues concerning farming in mountain areas. Visits are scheduled to alpine pastures, farms and a cheese co-operative.

A Proposed Framework for the Debate

The document considers the current and future challenges facing agriculture, and suggests what these might be, before setting out a series of objectives for a reformed CAP. Four broad questions are posed about the nature of the policy instruments needed to deliver these objectives. Member States are invited to express their views on all the issues raised. The following summary is based on our translation of the original French version. Some concepts are difficult to capture in English, and in some places we have had to interpret the text to convey the meaning of the document.

Context

The views expressed in the paper are founded upon certain assumptions about the future context within which agriculture will need to operate. In particular, it highlights the likelihood of ongoing **high commodity prices**. While it is unclear whether cereals, oil crops, butter and milk powder prices will remain consistently high, some of the longer-term structural changes taking place within the sector indicate that the current uncertainty regarding the global food balance could persist. It is likely that

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greater market liberalisation, climate change and increases in animal disease outbreaks and public health concerns will lead to **increased price instability**. The policies of countries outside the EU could also contribute to this instability, and thus should be taken into account in developing EU policy. The potential influence of the 2008 US Farm Bill and Brazil's biofuel policy are highlighted. Finally, the CAP will need to take into account that **production methods are likely to need to evolve** because of the rise in energy prices, competition for water and land resources, and soil depletion.

It is not suggested, however, that the CAP should address global problems such as climate change or global food security alone, but that the CAP will need to play a role alongside other European policies, within the broader context of developments in global governance.

Challenges

The French Presidency acknowledges that agriculture is a strategic sector for Europe, and underlines that the CAP will have to find a new legitimacy by meeting a series of challenges. These are:

1. The **food challenge**: the paper argues that the forecast for food demand to double by 2050 requires all countries to focus on agricultural production. Europe has a high production potential, and must therefore contribute to this challenge, with the CAP continuing to ensure the provision of a wide range of high quality agricultural products, and guaranteeing affordable access to food for all.
2. The **environmental challenge**: EU citizens are becoming more demanding in terms of environmental standards. The paper argues that agriculture is central to the provision of such environmental services, but that food production and the production of public goods do not necessarily go hand in hand. It is argued that, given an expected scarcity of food, agriculture will have to take a sustainable approach to food production, reconciling economic performance and 'ecological effectiveness'. Meeting the environmental challenge will also provide economic opportunities, for example through the production of energy crops, and will be essential for the future legitimacy of the CAP.
3. The **challenge of rural areas** ('*territoires*'): it is suggested that the CAP needs to maintain a viable agriculture industry across Europe's diverse regions, in order to retain a wide range of associated benefits, such as employment, food diversity, landscape quality, and territorial cohesion. In this way, the CAP would contribute to European identity.

To meet these challenges, the paper states that the CAP will have to address four goals:

- **Assuring EU food security**, including **food safety** in the context of growing public health and animal disease concerns;
- **Contributing to global food balances**, in order to contribute to global food security and to secure the competitive position of the EU on future world markets;
- **Maintaining the diversity and viability of rural areas** in order to ensure territorial cohesion and to retain a level of activity and employment within these areas; and

- **Contributing to the fight against climate change and the improvement of the environment**, in order to build an agriculture that reconciles economic performance and ‘ecological effectiveness’.

Instruments

The French Presidency sets out some issues for consideration by Member States in relation to the sorts of policy instruments that could be used to meet these goals and challenges. The way in which these issues are framed leaves little doubt as to the French position on these issues.

The first issue raised is that European farmers have to comply with a high level of regulation and societal demands, which places a cost on producers. It is stated that the CAP should find a **balance between promoting competitiveness and meeting society’s demands**. One issue raised by the document is whether the EU can reduce the overall level of compensation for EU farmers, relying more on trade measures to maintain the desired balance.

The second issue is about **the type of support** provided to farmers. It is suggested that the Single Farm Payment in its current form may not be flexible enough to be able to meet the challenges of market instability and increased risks.

Thirdly, it is argued that the development of new production techniques will allow the potential contradiction between ‘producing more’ and ‘producing better’ to be overcome, and that **research and innovation** should, therefore, be supported. The issue raised by the Presidency is whether this support should be introduced into the CAP and how.

Finally, it is suggested that the **diversity of European agriculture** may be better supported by the rural development programmes of Pillar Two than by the uniform first pillar payments. The question raised in the document is how the different instruments within the CAP need to develop, and what the balance between them should be, to take better account of the diversity of agriculture.

France is Taking an Active Role in the CAP Debate

While the French Presidency is offering this paper as a starting point for an open debate on the future of the CAP, the content of the paper itself is clearly aligned to the French view. Rather than facilitate the debate in a neutral capacity, as one would expect from a Member State holding the Presidency, in effect France is using its position to influence the views of other Member States in a way that suits its own agenda. This is not a surprise, as President Sarkozy expressed in September 2007 his wish to start talks about the future of the CAP during the French Presidency. In that address, he also mentioned the same four goals assigned to the future CAP. The main points were discussed between French agricultural and other stakeholders during the ‘Assises de l’agriculture’ in order to elaborate a national consensus on the framework of the future CAP. Various speeches by Nicolas Sarkozy and Michel Barnier have shown that France intends to assume a strong leadership role in the process towards CAP reform.

The framework proposed by France is not perfectly in line with the ideas expressed by the Commission in the CAP Health Check. The French paper focuses on production issues, and suggests the need for new instruments to support production, emphasising

that current tools (mainly the Single Farm Payment scheme) are no longer fit for supporting farmers in relation to the new challenges facing agriculture. In other speeches and documents, Michel Barnier has expressed France's strong commitment to the community preference principle, to the idea of general support for farmers for their role as food producers and to market regulation instruments like intervention.

The document remains quite vague about the way in which the various CAP instruments need to change. As regards environmental integration, France acknowledges that it is one of the three main challenges for the CAP and that these concerns will need to be addressed in order to secure the CAP's future legitimacy, with the main focus being on the fight against climate change. Nevertheless, the environmental dimension of the CAP continues to be expressed as secondary to the need to provide support for production, and the contribution of agricultural policy to meeting the EU's environmental objectives seems to be underplayed.

The Debate is Only Just Beginning

The options presented here will be discussed in Annecy between EU Agriculture Ministers from 21 to 23 September. It is likely that the issues raised by France will produce divergent positions among Member States, as views on the future direction of the CAP vary widely across the EU. This early start of talks about the 2013 reform is therefore welcome to allow Member States to exchange their views on the CAP and agriculture before the EU Budget Review and changes to the European Commission College and the European Parliament in 2009. However, if many Member States subscribe to the objectives put forward in this document, the path of the future CAP may irrevocably be set before there is a chance to engage in an enlightened debate. The need for environmental interests to make their case remains as strong as ever, as does the immediate need for staunch but constructive criticism of the French proposals.

References

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