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More New Wine in the same Old Bottles? The evolving nature of the CAP reform debate in Europe, 2010-11, and prospects for the future.

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Abstract

This paper has been developed from a ten-country study to examine the nature and key points of the ongoing discussions about the next major reform of the CAP, after 2013. The study involved analysis of stakeholder statements and opinions in response to the Commission's November 2010 Communication 'The CAP towards 2020: Meeting the food, natural resources and territorial changes of the future', as well as more recent responses to the subsequent Impact Assessment and the October 2011 release of the Draft legislative proposals for the policy in the 2014-2020 period. Individual case studies for each country were then subject to comparative analysis which was used to stimulate discussion at an international policy conference. Our paper makes reference to Erjavec et al's (2010) political economy analysis of the changing discourse in Brussels, in order to contrast this with the heavily path-dependent attitudes and negotiating stances found among many of the Member States, despite the fact that most stakeholder groups have consistent views across national boundaries. In this context, therefore, what looks from Brussels like a balanced and consensus-oriented reform package may still fail to offer a clear way forward for the Council and the Parliament.

1. Introduction

Erjavec et al (2010) used the term 'new wine in old bottles' to characterise how the EU-level discourse on the CAP and its role, as represented by the speeches of successive Agriculture Commissioners, shifted over the past decade, from a largely mercantilist to a strongly neoliberal perspective. Other commentators have preferred to emphasise the continuity of recent CAP reforms in a direction first begun with Macsharry in 1991, representing a shift away from a narrow focus for farm policy to the promotion of a multifunctional 'European model of agriculture' (refs), which was

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more or less completed with the Health Check process in 2008-9. Viewed from either historic perspective, the appointment of a new Commission and a new Commissioner for Agriculture in 2010 has brought new perspectives to the table, and it seems now that the focus in Brussels is more about equity than about facilitating a more liberal global trading regime. Indeed, Mr Ciolos is not in the least apologetic about the extent to which the EU supports its agriculture and the variety of tools that it deploys in that cause:

“Since subsidies are clearly needed across European agriculture - and indeed a vast majority of Member States are of this view - a European policy is the only way to deliver a fair and efficient agricultural market for producers and consumers.” (speech at the Oxford farming conference, January 2011)

“There will be coupled aid. We must have the courage to go against fashion and widely held but outdated economic theories, where this is objectively necessary and essential to maintain vulnerable sectors.” (speech to the European Parliament, October 2011)

In addition, following the significant price spikes of 2007-8, food security as an objective has assumed new prominence, sitting alongside multifunctionality as a key justification for continuing aid.

“Agriculture is at the heart of rural life and we need to support it in all its diversity. It gives us our food, but also a broad set of common public goods, our culture, traditions, values, natural resources, a future for our regions and our heritage.” (Oxford, 2011)

“However, the market alone is not always sufficient for something that is as strategically important as food security. More than ever before, in the context of climate change and price volatility, we need to maintain a back-up when the market fails.” (ibid)

Coming as he does from a new Member State, it is perhaps unsurprising that the Commissioner for agriculture should be particularly aware of the unequal distribution of CAP resources across the Union. But the strength of the rhetoric in support of continuing aid for the farm sector, coupled where necessary, appears as a notable break from the previously dominant rhetoric of price cuts, progressive decoupling and shifting resources towards more targeted aid in the second pillar.

But of course, the outcome of any policy reform process is the combined result of the perceptions and preoccupations of the Council of Ministers, representing the full range of Member States, as much as it is the particular perspectives of the Commission and the Commissioner, in Brussels. So, for example, MacSharry in 1991 made an attempt to fundamentally reorient the objectives of the CAP, laid down in the Treaty on the European Economic Community of 1957. He tried to extend the objectives of food security and income support by further objectives, underlining the importance of the multifunctionality of farming.³ MacSharry's suggestions, however, did not get through the Council of Ministers, but Commissioner Fischler was finally successful 8 years later, in broadening the goals of the policy in the Agenda 2000 process. And since the coming into force of the Lisbon Treaty, CAP reform is now dependent upon co-decision, through which the European Parliament also has a seat at the table.

The aim of this paper is to make a comparative analysis of the ongoing debate on CAP reform which contrasts the 'view from Brussels' and the Commission and Commissioner in particular, with the perspectives and concerns shaping reactions in the Member States. In this way, and considering the dynamic of the process, we hope to reach an understanding of the most likely outcomes of the reform and to analyse how these match up to EC aspirations and compare with the overall trajectory of CAP reform since 1991. The analysis is based upon a study carried out between September 2010 and March 2011, and the paper is structured as follows: section 2 summarises the reform proposals and rationale as presented by the Commission and Commissioner; section 3 describes the comparative study of Member State debates on reform and summarises its findings; section 4 analyses how these may influence the eventual outcome of the reforms and section 5 draws some conclusions about how this relates to the original Commission aims and the longer-term process of CAP evolution since MacSharry.

2. The basic shape of the proposed reforms and the Commission's stated rationale

The Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled "The CAP towards 2020: Meeting the food, natural resources and territorial changes of the future" published in November 2010 was followed by intense public debate throughout the European Member States.⁴ In

³ The Development and future of the CAP – Reflection paper of the Commission, Communication of the Commission to the Council of 1 February 1991 (KOM(91) 100 final).

⁴ EC (European Commission) (2010): Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The CAP towards 2020:

the Communication, the Commission described the previous reform path and defined future challenges for the CAP, set out objectives of the future CAP and specified broad policy options for its shape and principal instruments. Option 1 described a continuation of the current policy with some adjustments regarding the distribution of direct payments between Member States. Option 2, which was clearly favoured by the Commission, aimed at creating a more sustainable and better targeted CAP that contributes more to the EU 2020 strategy of smart, sustainable and inclusive growth. Option 3 described a fundamental reform with a strong focus on environmental protection and climate action moving away from income support and market measures.

The Communication was followed by a more detailed Impact Assessment of its three main policy options, and in turn, this was followed by the publication on 12 October 2011 of the Commission's draft legislative proposals for the CAP, 2014-2020.

To assess how the Commission's perspective on the CAP and its role has developed, we look briefly at what challenges and objectives are identified by the Commission in its Communication and the legislative proposals as well as at how these objectives, and the policy instruments suggested to meet the challenges, have been explained by the Commissioner.

In the November 2010 Communication the Commission identified the following challenges (EC 2010):

Food security: contribution to the worldwide rising demand for food, provision of high quality and a wide choice of food products for EU citizens (including local products), competitiveness of the European agro food sector in times of economic crisis when agricultural markets are characterized by greater volatility and uncertainty.

Environment and climate change: provision of public goods, addressing the negative environmental impacts of agriculture, and climate change mitigation of and adaptation..

Territorial balance: in which agriculture is presented as the driver of the rural economy and the basis of local traditions and identity, in many areas of the EU and therefore it should have a role in contributing to cohesion goals.

The objectives set in the Communication are the following (ibid.):

- Viable food production: contribution to farm incomes, improving the competitiveness of the agricultural sector and enhancing its value share in the food supply chain, compensation of difficulties in areas suffering from specific natural constraints.
- Sustainable management of natural resources and climate action: provision of environmental public goods, green growth through innovation, climate change mitigation and adaptation.
- Balanced territorial development: support of rural employment, structural diversity in farming systems (improvement of the conditions for small farms and development of local markets).

In its legislative proposals of October 2011, the Commission affirmed the policy objectives named in the Communication and stated that “the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the EU 2020 strategy” (EC 2011, p. 2⁵) had emerged as a common theme through the inter-institutional debate and the stakeholder consultation on the impact assessment. Figure 2, taken from a slide show on the legal proposals published by the Directorate-General Agriculture and Rural Development of the European Commission, stated enhanced competitiveness, improved sustainability and greater effectiveness as the main objectives of the current reform in the legal proposals.

⁵ EC (European Commission) (2011): Proposal for a regulation of the European Parliament and of the Council establishing rules to direct payments to farmers under support schemes within the framework of the common agricultural policy. COM(2011) 625/3, 2011/0280 (COD), http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com625/625_en.pdf (accessed 13.10.2011), 105 pp.

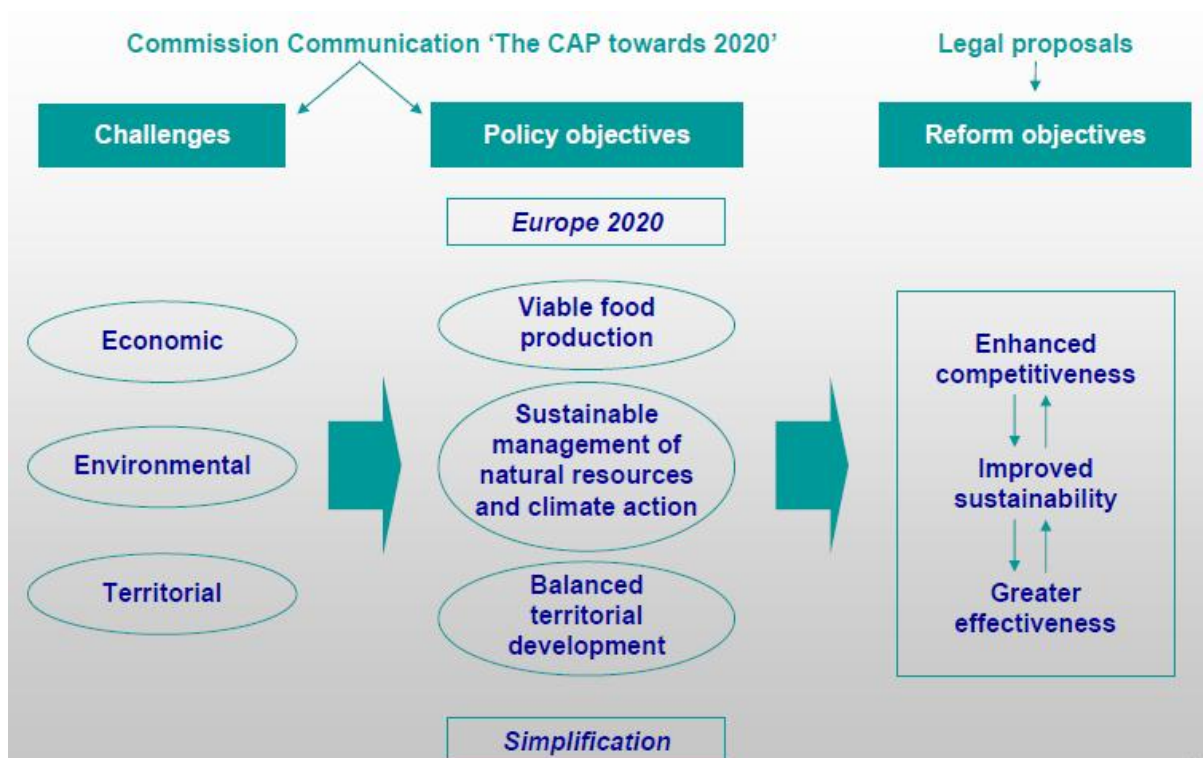


Figure 1: Challenges and Objectives of the CAP

Source: European Commission, Directorate-General Agriculture and Rural Development, http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/slide-show_en.pdf (accessed 12.10.2011), p.11

The main points promoted by the Commission in its 2010 Communication in respect of the overall architecture of the future CAP were (EC 2010):

The continuation of the CAP in two complementary pillars with the first pillar containing the support paid annually to all farmers and the second pillar as the tool pursuing Community goals and meeting the specific needs of the Member States on a multi-annual, programming and contractual basis.

A more equitable distribution of funds between Member States, ensuring that all Member States receive on average a minimum share of the 'EU average level' of direct payments per hectare.

In the draft regulations, the Commission proposed the following:

- a redistribution of pillar 1 payments between Member States in order to reduce disparity as indicated by the average payment rate per hectare on eligible farmland;
- Replacing current SPS (Single Payment Scheme) and SAPS (Single Area Payment Scheme) by a single payment scheme for all Member States, based upon flat-rate payments per hectare at regional or national level, which can be phased in but should be fully in place by 2019.
- An aid cap for the largest recipients, reducing payments above 150 thousand Euros per year (adjusted for labour use), and the restriction of aid to 'active farmers' only, as defined on the basis of income and aid criteria.

- To introduce a 30% 'greening' share into total pillar 1 budget allocations, so that farmers are required to meet one of 3 requirements if they wish to claim this additional share of aid (crop diversification, preservation of permanent grassland, ecological focus areas).
- The option of allowing Member States to have specific Small Farmers, Disadvantaged Areas and/or Young Farmers Schemes funded from their pillar 1 allocation.
- The introduction of a new Crisis Reserve.
- To expand the product coverage for recognition of producer organisations and their associations as well as interbranch organisations by Member States to all sectors.
- The integration of the European Agricultural Fund for Rural Development (EAFRD) into a new 'Common Strategic Framework' for all main EU funds including the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF).
- In Pillar 2, to replace the former three axes and the minimum spending requirements on each axis by six priorities, for which any combination of measures can be used.
- A reduction in the total number of measures by broadening the definitions of each, so that there is more flexibility of use for each measure.
- The introduction of a new risk management toolkit including support to mutual funds and a new income stabilisation tool.
- The introduction of new biophysical criteria for the delimitation of areas facing natural constraints.
- New mechanisms to promote co-operation and partnerships in rural development, especially in respect of meeting a perceived need for innovation for sustainable competitiveness in agriculture.

In his speeches since October, Commissioner Ciolos has emphasised equity, legitimacy, simplicity and sustainability as key aims of the reform. Presenting to the Parliament, he said:

"The key aims of this reform are: to ensure that the competitiveness of all European farming safeguards our food security; to lay down the foundations for long-term competitiveness that is both environmentally *and* economically sustainable; to ensure that agriculture flourishes throughout Europe; and finally, a spearhead objective: to simplify the CAP."

He added also that: "The current payments, based on a plethora of systems conceived using historical reference values, have lost their effectiveness. They are undermined by their lack of credibility and transparency in the eyes of the public."... also "This [reform] is also a step towards greater fairness, and a contribution to food security."...and he described the greening proposals as designed to ensure long-term food security.

In these presentations and explanations, therefore, we see a clear departure from the neoliberal rhetoric and vision increasingly espoused by the two previous Commissioners, as analysed by

Erjavec et al (2010). Continuing support for agriculture is affirmed as necessary for food security in both short and long-term and as such, the distribution of that support according to 'fair' and transparent criteria becomes necessary in a way which it arguably would not have been, if the support were seen in the more transitory light of a neoliberal 'adjustment mechanism, introduced principally as (theory would advise, time-limited) compensation for price cuts. The introduction of greening, and new options to enable targeting of Pillar 1 support to more 'needy' groups, can also be seen as mechanisms which are designed to give more long-term legitimacy to this, the largest-spending element in the policy.

At the same time, however, continuing emphasis upon sustainability and multifunctionality in the CAP indicate that the future agenda is a broad one and that the former goals of Pillar 2 (competitiveness, environment and quality of life) are henceforth to be applied across the whole policy. Greening, notwithstanding its practical limitations, represents a further development of the notion that *all* CAP aid should promote environmental goals, going beyond the already-established principle of cross-compliance in pillar 1. The new package also gives more prominence to previously affirmed, but very weakly pursued, coherence with regional development and cohesion policy goals – not only through the moves towards greater equity and targeting in pillar 1 but also in the addition of tackling rural poverty to the revised strategic objectives of pillar 2.

3. Examining the view from the Member States: a comparative study

3.1 The study

This section is drawn from an exercise to summarise and analyse the public debate on the reform of the CAP after 2013, based upon experience in ten contrasting EU Member States, over the period following the publication of the Communication and, to a limited extent, including recent reactions to the draft legislative proposals⁶. A team of ten independent experts was convened to analyse the debate in their own country, examining statements and opinions of stakeholders in the public debate, including governments, farmers' unions, scientists and environmental non-governmental organisations. The countries included in the analysis were the Czech Republic, Finland, France, Germany, the United Kingdom, Greece, Hungary, Poland, Slovenia and Spain.⁷ This choice of

⁶ Reactions of stakeholders towards the far more detailed legislative proposals published by the EU Commission in October 2011 could only be included in the reports if they were accessible at time of writing (September until end of October 2011). So, even if reactions to the legislative proposals were incorporated as far as possible, most of the analysed statements refer to the Communication of November 2010.

⁷ Authors of the country reports: François-Gaël Lataste, Aurélie Trouvé (France), George Vlahos, Stathis Klonaris (Greece), Petri Liesivaara, Ellen Huan-Niemi, Jyrki Niemi (Finland), Luka Junvančič (Slovenia), Janet Dwyer, Nick

countries was made in order to represent new as well as old Member States and a variety of climatic conditions and agricultural structures. In the country reports the experts summarised the stakeholders' positions on the different elements of the CAP reform proposed in the Commission's Communication, put them into context, determined the issues dominating the debate in the respective Member State and drew conclusions. A comparative analysis of country reports was then undertaken in order to identify the dominant issues, major lines of argument and conflict, as well as the prospects for consensus. The comparative analysis was presented at a policy conference held in Germany in March 2012, discussed with the participants from 14 EU Member States working in the fields of politics, administration, science and civil society, and thereby developed a little further.⁸

3.2 The findings

In the Czech Republic, stakeholders involved in the public debate were members of the European Parliament, farmers' organisations, environmental NGOs, the Ministry of Agriculture and a research institute. The two aspects most stakeholders focused on were the question of a more equitable distribution of funds between old and new Member States and the proposed capping of direct payments, which most stakeholders strongly oppose. Other issues of concern are the move from the current SAPS system to the system of payment entitlements for eligible hectares (as the development of black market structures is feared) and the demand for simplification and reduction of bureaucracy.

Apart from the Ministry of Agriculture and Forestry, farmers' organisations have been the most active stakeholders in the public debate on the future CAP in Finland. Environmental and animal welfare organisations have also been active, but focused more on general aspects of agriculture rather than the CAP reform. The wish to maintain agricultural production in the entire EU and income support for farmers is of major concern for some stakeholders, while others focus more on environmental aspects of the CAP. The greening proposals are contested. Two specific Finnish interests are the right to continue to pay national support for livestock producers in southern Finland and the right to pay LFA-support in the entire country.

Lewis (UK), Jaroslav Pražan (Czech Republic), Iwona Nurzyńska (Poland), Edina Ocskó (Hungary), Lourdes Viladomiu, Jordi Rosell (Spain), Cordula Rutz, Jörg Schramek, Winfried von Urff (Germany)

⁸ Additionally to the nations included in the analysis participants from the following countries were present: the Netherlands, Latvia, Belgium and Austria. As the conference took place in Germany most participants were German. The next biggest groups of participants came from the Netherlands, France, Spain and the UK. The stakeholder groups represented best were the scientific community as well as administrative bodies (on national, regional and local levels). While some experts from governmental environmental agencies attended, only few representatives of NGOs were present. Also, only a relatively small number of farmers' organisations were represented.

Apart from administrative and political bodies, the public debate on the CAP in France is also mostly influenced by farmers' unions, although environmental and development cooperation organisations have recently gained some influence. Owing to the relatively great social and economic importance of agriculture in France, French stakeholders have traditionally taken and still take the position that the CAP should remain strong both with regard to funding and market regulation instruments. While there is broad consensus on the limitation of the provision of direct payments to active farmers, there is disagreement on the greening of direct payments, and the move away from direct payments based on historical production towards area based payments. Rural development policies are of minor importance in the French public debate.

The main stakeholders contributing to the public debate in Germany represent a broader range than in France or Finland, with environmental and development NGOs prominent alongside sectoral interests. Farmers' organisations and political bodies oppose a more equitable distribution of funds between old and new Member States, while greening proposals and the capping of direct payments are highly contested elements of the reform. With regard to second pillar policies the design of agro environmental programmes and farm investment support schemes are issues of interest. Simplification of the CAP and a reduction of the bureaucratic burden are demanded by many stakeholders.

The public debate in Greece on the future CAP has been superseded by the discussions on the financial crisis, but the main stakeholders contributing to the debate were the Ministry of Rural Development and Food, farmers' organisations, the media and representatives of political parties. The distribution of funds between Member States and regions, especially the criteria for the demarcation of regions and the issue of eligibility for direct payments, are key concerns. The definition of "active farmers" as well as the greening proposals have also been highly contested.

Important issues with regard to agricultural policy in Hungary, where farming and environmental and regional development bodies all engage in the debate, are the level of support granted to small farms and the livestock sector, the distribution of power within the food chain, the support of local food production and markets, employment creation and reduction of poverty in rural areas. Many stakeholders demand equal treatment of old and new Member States, i.e. the same level of direct payments. Another overall dominating issue is the demand for a simplification.

A broad range of bodies is involved in the reform debate in Poland. Major issues include the unequal distribution of direct payments between Member States, support for small farms, a reduction of bureaucracy and the importance of rural development policies and their relation to cohesion policies. There is generally strong support for a continuation of a Common Agricultural Policy.

In Slovenia, farming, rural development and academic voices shape the current reform debate, while environmental organisations have been less active in the current debate than in previous debates on agricultural policy. The focus of the debate in Slovenia lay on the EC's proposals with regard to direct payments, especially the greening. Rural development issues were also discussed, but raised less controversy.

In Spain the autonomous regions are important stakeholders in the public debate, although the national position in the EU negotiations is only represented by the Spanish government. Other

stakeholders active in the public debate are farmers' unions and cooperatives with scientists, environmental organisations, rural development players and industry associations playing a lesser role. Most Spanish stakeholders take rather conservative positions to reform of the CAP and are mainly concerned with the redistributive effect on the different Spanish regions and sectors. Important issues in the debate were the future of direct payments, especially the move from the historical model to a flat rate at national or regional level and market measures, especially ways to strengthen the position of producers in the food supply chain.

One important characteristic of the UK public debate on the CAP reform are the diverging views and interests with regard to the CAP taken by the leading ministry in England and the devolved administrations of Scotland, Wales and Northern Ireland as well as the strong influence of the UK Treasury. The UK Treasury has traditionally taken the view that the CAP is an anachronism which should be abolished or at least be reduced in scope and scale of its funding. This position has dominated the public debate in the UK for 40 years. Environmental organisations have a very influential position in CAP policy discussions in the UK. Issues dominating the debate are the scale of support to agriculture, the function of and justification for direct payments, the best way to focus the CAP on the production of public goods and the role of the second pillar.

Apart from the overall objectives and the general architecture of the CAP, the issues dominating the debate on the CAP reform in the ten analysed Member States are⁹:

- The proposed greening of direct payments.
- The capping of direct payments: mainly discussed in these Member States where some large farms might be affected by such a policy, such as the Czech Republic or Germany.
- The limiting of support to “active farmers” and the respective definition of the term.
- The harmonisation of direct payments schemes in the EU, the degree of decoupling, the way to implement decoupled direct payments.
- The call for a simplification of the CAP and reduction of bureaucracy.
- The overall scale of the CAP funding.
- The distribution of funds between Member States: the call for a more equitable distribution of funds between new and old Member States is the dominating issue in most new Member States.
- The wish to maintain agricultural production in the entire EU and to ensure sufficient income for farmers.

⁹ The order of the issues listed is not weighted.

- Market measures: a focus of the debate in some countries, like Spain and France, while of minor importance in other countries, e.g. Slovenia.
- Issues of specific national interest, e.g. national support to certain sectors or areas.
- Rural development policies: of interest in some, mainly new, Member States and of hardly any importance in other Member States, e.g. France. In some countries, like Germany, the debate on rural development only gathered momentum after the publication of the legislative proposals in October 2011 and therefore could only partially be reflected in the comparative analysis.

Challenges and Targets

Most stakeholders agreed in principal with the challenges and targets identified by the Commission. However, different groups of stakeholders stress different challenges and objectives. For many governments and the mainstream farming organisations competitiveness and productivity (often seen in connection with the need to contribute to global food security) of the EU farming sector should be the main objectives of the CAP. Neither governments (with the exception of the UK) nor the mainstream farming organisations demand a fundamental reform of the CAP. While environmental and other NGOs, like scientists, frequently demand a more fundamental reform and improved targeting of the CAP they often favour strict environmental and social regulations both in the EU and with regard to international agricultural trade over market liberalisation.

The two-pillar structure of the CAP is hardly questioned by governmental bodies in the analysed countries. Only the UK central government argues in favour of phasing out the first pillar for the benefit of a strengthened second pillar. The mainstream farming organisations also accept the current two-pillar structure, but often state that pillar two must not be strengthened at the expense of pillar one. Like most governmental bodies, the farming organisations would like to see the two pillars to be kept distinctly divided. In the opinion of most mainstream farming organisations the focus of the second pillar should lie on support to the agricultural sector, but the opinions range from the Polish agricultural chamber, which explicitly acknowledges the importance of the rural development measures of the CAP, to some farmers' organisations in Spain that would like to see rural development policies to be excluded from the CAP and to become part of cohesion policies. Various proposals to change the current structure of the CAP come from scientific bodies and non-governmental NGOs.

With regard to the funding of the CAP only the UK central government and some scientists call for a drastic reduction of the overall EU CAP budget. Most governments, alongside with the farming organisations and NGOs argue in favour of a financially strong CAP. Especially the new Member States oppose any suggestion to increase the burden on national budgets or in their words to "renationalise" the agricultural policy. They, like the farmers' organisations in the new Member States, strongly demand a more equitable distribution of funds, especially with regard to direct payments, between the old and new Member States. This claim is more or less openly rejected by the governments and farming organisations in the old Member States, which argue that only a minor redistribution would be acceptable in order to avoid disruptions and that the distribution of funds

should be based on criteria such as the contribution of a country to the EU budget or that differences in purchasing power and production costs should be taken into account.

Direct Payments

Interestingly, not all governments of the countries included in this analysis, had yet publicly expressed a position on the proposed capping of direct payments received per farm. The opponents, the Czech Republic, the German federal government and the UK central government argue that such a policy would impair competitiveness and increase bureaucracy. The German federal government additionally argues that direct payments serve as remuneration for public goods provided per hectare by small and large farms alike. The Hungarian government attaches its support to the condition that the remaining funds can be used according to national priorities. Some governmental and administrative bodies in France suggest a distribution based on employment. The mainstream farmers' organisations, which take a position on this issue, mainly oppose it as having a negative impact on efficiency and impairing necessary structural change. However, farming organisations in Greece, like the Greek government, support such a policy, just like NGOs from all countries which also support the coupling of the provision of direct payments with employment. The proposal to limit the provision of direct payments to "active farmers" is opposed by a number of governments, either on the grounds that such a policy would have adverse effects on part-time farmers or on the grounds that the implementation should be optional for Member States. However, even the governments as well as the farmers' organisations that support such a policy in principle, criticise the proposed definition of "active farmer", either as too wide or as too narrow. Non-governmental organisations disagree on that issue. While some, e.g. environmental and social initiatives in Poland, support the limitation to "active farmers", others, like environmental organisations in Spain, argue that support should be granted to all "good stewards".

With regard to the greening of direct payments many governments, like the ones of Greece, Poland or Spain, argue that such a policy would constitute an additional burden on farmers, create additional costs and therefore impair the competitiveness of the EU agricultural sector. This opinion is in line with the view of the mainstream agricultural organisations, which mostly fiercely oppose the introduction of 7% ecological focus areas as this is seen as counterproductive in times of rising demand for food and biomass for energy production. Other governments, like in Slovenia, principally accept the proposal, but argue that the specifications are too rigid or should be adapted to national conditions. The UK central government questions the environmental benefits of such a policy. Scientists from different countries mostly argue in favour of an implementation of environmental policies via the second pillar in the form of contractual payments. The intention of the greening is very much supported by most NGOs, but, especially after the concrete obligations were made public, many expressed their disappointment as the obligations were seen as insufficient or even counterproductive.

In many countries, such as Spain, France and Finland governments would like to furthermore be able to support at least certain sectors of national interests with coupled payments. In Hungary, Greece, Slovenia and Poland additional support to small farms is regarded necessary.

Market Measures

With regard to market measures most governments support the introduction of additional risk management tools, only the UK central government stresses that this should be in the form of temporary support to private instruments. Such a temporary form of support is also brought forward by scientists from France, and Germany. NGOs from Germany criticise the concept of supported risk insurances as this is seen to favour risky input-intensive high-yielding production methods and provide a disincentive for farmers to adopt precautionary measures. Proposals to strengthen the role of producers in the food supply chain are broadly welcomed by governments as well as by farming organisations. Opinions on supply management and intervention mechanisms differ widely. Some countries, like Spain and France emphasize the importance of supply management tools and intervention systems. Others, like the Slovenian government, which supports the abolishment of the sugar quota system, but would like to keep up the existing system of wine planting rights, take a middle position. The UK central government argues in favour of a simplified system of market measures and would like to see all quota systems to be abolished. This position is in line with the view of scientists from several countries, some of whom also emphasize the need to foster quality production. The abolishment of export subsidies is demanded by the UK central government, the federal government of Germany (under WTO rules) as well as scientists and NGOs from several countries. An issue put forward by many non-governmental organisations is the demand to support local food markets. NGOs from France and Spain, like their national and regional governments (and in the case of Spain also like the farmers' unions), call for stricter environmental and social rules to be applied to imported food.

Rural Development

Different opinions prevail on the question what the focus of the second pillar should be. While mainly the mainstream farming organisations and some governmental bodies, like in Spain, argue that the focus should lie on agriculture and its competitiveness, others, like governmental bodies, scientists and NGOs from Poland, Hungary, Germany and the UK stress the importance of integrated rural development measures and would like to see the LEADER approach to be strengthened in the future rural development policy. The need to ensure that an adequate share of second pillar funds is spent on environmental measures is stressed by NGOs from several countries.

Some stakeholders, like governmental bodies, scientists and NGOs from Finland, welcome the idea to base compensatory payments on biophysical and/or climatic criteria, although it has to be noted that only few of the analysed stakeholders expressed an opinion on that topic. Others, e.g. governmental bodies and the mainstream farming organisations oppose or at least question the approach. Better targeting of second pillar funds in general as well as the simplification of the monitoring and evaluation process is demanded by many stakeholders.

The range of opinions presented in this study is broad. At the one end of the spectrum the debate in countries like Spain or France is dominated by the call for strongly interventionist policies protecting European farmers from international competition and volatile prices, while at the other

end most stakeholders in the United Kingdom try to find ways to efficiently target the public funds provided by the CAP on the provision of public goods and services.

Overall, it becomes evident that the positions adopted by the various groups of stakeholders are influenced by

their convictions about what the objectives of the CAP should be, especially with regard to the question how the European agricultural sector and thus the CAP can best contribute to global food security,

national characteristics, like the prevailing climatic conditions, the agricultural structure, the political and administrative system and historical developments,

sectoral interests, e.g. with regard to the introduction of stricter environmental obligations demanded by environmental NGOs and opposed by the mainstream farmers' organisations.

The discussions at the conference¹⁰ drew attention to the following issues and open questions:

The greening of direct payments was seen by many participants to have some positive potential as this instrument could ensure that also intensive production systems are reached and as it could establish a baseline, i.e. a new higher reference level, to build on with the agro-environmental measures of pillar two. In principle all suggested greening obligations could contribute to important environmental goals, like soil conservation, limiting the emissions of pollutants into ground and surface waters as well as greenhouse gas emissions and biodiversity preservation. The capping of direct payment is not expected to have major effects on farmers' incomes, but there might well be some effects on farm structures and employment, e.g. large farms might be split up or more people be employed on large farms (for example by replacing contractors by salaried employees or by reducing black labour). While many participants agreed with the intention to achieve greater distributive justice and to improve the social acceptance of the CAP, the capping of direct payments was not seen as an appropriate measure. Similarly, the proposed definition of "active" farmer was criticised as badly targeted (potential exclusion of part-time farmers or good stewards of agricultural land, such as non-profit organisations) and as increasing bureaucracy. Suggestions made were to leave the definition to the Member States or to make better use of the already existing legal possibilities.

Regarding the proposals for the architecture of the second pillar the participants held the opinion that the greater flexibility for Member States (elimination of the axes-structure and limitation to minimal requirements) poses risks, e.g. in countries where efficient evaluation systems are not in place, as

¹⁰ apart from statements on the synthesis report by representatives from different political levels there were working group sessions on the greening of direct payments, the proposed capping and definition of "active" farmer as well on the proposals for the second pillar

well as provides opportunities by allowing to adjust the programmes even more specifically to national/regional needs.

The integration of the EAFRD into the common strategic framework and the multi-fund implementation of the LEADER approach are seen to pose some risks, e.g. that rural development might be pushed into the background or that standard programmes might merely be relabelled instead of creating innovative programmes. The changing co-financing rates create the danger that countries or regions affected by the economic crisis might not offer certain measures anymore or that the LEADER approach might be abused in order to obtain more EU funds.

Thus we begin to see some signs of a consensus position, here. Redistribution and greening are accepted subject to the toning-down of redistribution that already took place between the November 2010 communication and the October 2011 draft legislation, and on condition that the greening elements are made simple to implement and acceptable to the farm lobby, while retaining sufficient credibility with the environmental lobby. Capping and 'active farmer' notions become mainly ensured through principles and guidance rather than hard and fast rules at Community level, and the pillar 2 proposals survive largely unchanged.

4. Political-economic Analysis

In overview, this exercise demonstrates how, despite the fact that the sectoral positions of the main actors exhibit a degree of consistency across countries (e.g. farmers want to retain their funding, environmental NGOs want more funds for environmental goals, etc.), the contrasting national (and regional) contexts within which the CAP 'plays out' have an important impact upon the negotiating stances adopted by Ministers in Council and, to a lesser extent, the positions held by the Parliament. Thus, while the current CAP rhetoric is clearly new, and driven very much by a Commissioner for whom equity appears to be just as important as the considerations about EU-external trade relations, environmental issues and/or public perceptions that have characterised his predecessors' positions, there is nonetheless a surprising degree of path-dependency suggested in the likely outcome of this policy-making process. Thus, we can consider that rather than old ideas being re-presented in new forms, in this debate, we face the prospect of new ideas being considerably stifled, or at least largely reframed, by old modes of thinking and ways of working.

Having begun his term of office by clearly trying to identify a consensual model for redistributive and 'legitimising' reform which had apparent potential to meet many stakeholders' concerns, Mr Ciolos may have to spend the next year deciding how much he is willing to continue to soften this model, in order to create a package to suit a whole variety of domestic agendas and 'special cases', and to keep at least all the larger Member States satisfied with what they are being offered.

The suggested 'consensus' position that emerged from the study reported here still represents a reform containing some key developments in policy terms, compared to the current CAP and its past reform trajectories. In essence, we might describe these as follows:

- A reformed CAP will constitute a two-pillar toolkit in which both pillars pursue similar goals, rather than each pillar having quite different kinds of goal (pillar 1 income support, pillar 2 transformative rural development), as they might previously have been seen;
- The new framework will exhibit stronger coherence with other EU funding policies – although whether this will result in better co-ordination and synergy on the ground remains less certain;
- The emerging policy can be seen as a more explicit statement (than in the previous decade) to the rest of the world, particularly in the context of a still-stagnant Doha round and global preoccupation with broader economic vulnerabilities and the influence of the emerging economies of Asia and south America, that Europe will continue to protect its farming and its food production for the foreseeable future.

5. Conclusions

In conclusion, we attempt to analyse how the ‘hybrid’ that we identified above as the likely consensus model for the reform is likely to deliver against the Commission and Commissioner’s stated goals. The implications of more or less generous EU budget settlements for 2014-2020 are also taken into consideration.

The two themes that will endure in the rhetoric, from the EC perspective, will be those of redistribution and of greening. Redistribution appears as Mr Ciolos’ primary concern, derived from his keen understanding of how the CAP looks to the new Member States and how, almost 8 years on from the date of accession, most of these nations still receive modest levels of farm income support from the policy, by comparison with that offered in the EU-15. The problem with redistribution, however, is that it cannot occur without losers and when your losers are traditionally the more powerful EU-15 MS, your room for manoeuvre is severely limited by what sweeteners you are able to offer them, in return for relinquishing some part of their CAP receipts. In the case of the UK the task is easy – give them more pillar 2, since they like this much better than pillar 1 anyway – but in France and Germany, the redistribution has to offer some prospect of increased equity within their national boundaries, if it is to be acceptable to their public. As the proposals on active farmers and capping amply demonstrate, this kind of approach could well prove too divisive to be acceptable in any standardised form, and in any case the prospect appears now to be of a much reduced scale of redistribution, overall, than was originally suggested by the Commission. It may be that by combining modified greening options with a greater degree of subsidiarity in respect of targeting the active farmer and capping, the package might be rendered more acceptable to the EU-15 than it currently appears.

In respect of greening, this tool is strongly supported by the Commission because it harks back to previous rounds of reform and their underlying rationale, to decouple the policy and re-legitimise its main instruments in the context of the stated expectations of EU citizens. It also plays well in the

international arena, in that even the OECD now accepts the principle of public payments for public goods (albeit in certain circumstances where intervention appears the most cost-effective approach to tackle market failure). However, it is probably less the personal inspiration of the Commissioner, who has been at pains to stress the options for Member States to minimise the impact of the greening architecture upon farm output and land management costs. As such, therefore, greening may perform the role of a palliative to those MS still on a trajectory of liberalisation, while attempting to avoid rejection of the package by other MS who are still seeking to capture a better share of the overall pillar 1 cake, regardless of its rationale. So, we anticipate greening surviving but with modifications to meet the main concerns of environmental stakeholders, insofar as it can also meet the demands of new MS for a very simple system which does not negatively affect their potential to increase production as they modernise and invest, in the years ahead. Of course, simplicity need not mean *uniformity* of precise conditions – some so-called ‘orange-ticket’ linkage to enable farmers in broad and shallow agri-environment schemes to qualify automatically might in fact prove the simplest greening modification, with attractions for both old and new MS.

But what of the budget debate and its consequences for successful CAP reform? The points above would appear the most likely outcomes in a scenario of modest change in overall CAP funding, so we would see some kinds of greening and a small shift of funding from West to East. However, if the agriculture budget faces a significant cut, the outcomes might change significantly. A 20% cut might force new MS to reduce pillar 2 funding in order to focus their resources on levelling the playing field in respect of pillar 1 aids, while EU-15 countries might be tempted to push for a stronger greening, as a way of legitimising national-level redistribution of payments to those sectors and locations where support is most clearly needed or justified, to ensure the survival of the most valued farming systems and cultures. If we put these two trends together, we could see a marked contraction in EU pillar 2 spending, and a shift of pillar 1 resource to more economically-marginal and/or more environmentally-rich areas, across the EU-27. To some extent, therefore, key elements of the Ciolos package in respect of pillar 1 would be retained, but the main loss would be in respect of rural development, as has proved to be the case in previous reforms.

Of course, the scenarios outlined here only reflect a small proportion of the full range of influential factors at play, in the current reform discussions. Some of these are evident in the country reports upon which our paper is based, but there will be others that are much less explicitly stated, at least in the public domain. For that reason, predicting eventual outcomes with any certainty is a very hazardous business. Nevertheless, we hope that the insights and suggestions advanced in this paper provide some useful food for thought, at this stage in the debate.