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Provision of Public Goods through Agriculture

Martin Scheele

European Commission

Directorate General for Agriculture and Rural Development



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[http://ec.europa.eu/agriculture/
analysis/external/public-
goods/index_en.htm](http://ec.europa.eu/agriculture/analysis/external/public-goods/index_en.htm)

Provision of Public Goods through Agriculture in the European Union

Tamsin Cooper
Kaley Hart
David Baldock



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What do we get out of the concept of Public Goods?



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The concept of **Public Goods** provides a long-established approach (Samuelson 1954) towards dealing with long-established questions:

- What triggers the need for **policy intervention**?
- Which societal needs would not be satisfied through outcomes delivered by **markets**?
- Which **CAP measures** encourage effectively the provision of public goods through agriculture?



Policy issues to be addressed



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- Food security - retaining the capacity to produce
- Preserving natural resources - water, air, and soil
- Climate change – mitigation and adaptation
- Agricultural landscapes and farmland biodiversity
- Rural viability – capacity building and human capital
- Farm animal welfare






What characterises a Public Good?



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- A **public good** is the outcome of deliberate action that would not be provided satisfactorily via markets
- The specificity of public goods is based on two defining **characteristics**:
 - **Non-rivalry** – if the good is consumed by one person it does not reduce the benefit available to others.
 - **Non-excludability** – if the good is available to one person, others cannot be excluded from the benefits it confers



How to ensure the provision of Public Goods in line with needs?



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- Non-excludability and non-rivalry in consumption imply that **users** have no incentive to pay for public goods.
- On the **supply side**, farmers have no incentive to provide public goods because they are not being paid to do so.
- In the absence of functioning markets, **public intervention** is needed to secure a desirable level of provision in line with societal demand.



Which Mechanism for the delivery of Public Goods?



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————— Increasing Degree of Publicness —————→

Markets



**Price
Mechanism**

**Common
Action**



**Face-to-Face
Decisions**

Public Policy



**Targeting
Value for Money**

Additional criteria:

- **Common interest (non-user values)**
- **Financial solidarity**
- **Ensuring a level playing field**



Public Goods provided through agriculture



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- Food security - retaining the capacity to produce
- Preserving natural resources - water, air, and soil
- Climate stability: carbon sequestration and cutting emissions
- Capacity to adapt to climate change
- Resilience to fire and flooding
- Agricultural landscapes and farmland biodiversity
- Rural viability – capacity building and human capital
- Farm animal welfare





Measures pursuing the provision of Public Goods through agriculture



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- Direct payments in combination with cross-compliance contribute to the provision of basic public goods
- Safety net intervention and insurance instruments provide further income stability contributing to securing the production base
- Targeted rural development measures incentivise farmers to provide specific public goods
- Investments underpin the provision of specific public goods
- Training, knowledge transfer, and capacity building represent the very basis for rural viability.



Challenges for securing the provision of Public Goods through agriculture



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- Ensuring consistency of the policy framework
- Setting SMART targets (specific, measurable, accepted, relevant, time-bound)
- Enhancing effectiveness and efficiency of measures
- Ensuring transparency and simplicity of intervention
- Effective monitoring and evaluation.
- Securing sufficient budgetary resources.