



Report from the Secretariat of  
the Intergroup “Climate Change, Biodiversity and Sustainable Development”

**“Public goods: a new legitimacy for the CAP?”**

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**Chairman: MEP Luis Manuel Capoulas Santos, Chair of the subgroup “Agriculture”  
of the Intergroup “Climate Change, Biodiversity and Sustainable Development”**

**1. Introduction**

*MEP Luis Manuel Capoulas Santos*

« We are at the beginning of an important debate on the CAP reform after 2013. An ambitious reform based on legitimacy and equity, giving the tools to farmers for being competitive and to help them face the challenge of an increasing demand within a sustainable model for EU farmers and citizens is necessary”, said Mr Capoulas Santos.

He welcomed Mr Lyon’s draft Own-initiative report, which obliges the MEPs to undertake an in-depth reflection and give ideas to the European Commission. The latter will release a strategy at the end of the year.

Public goods are vital to the society and should legitimize a strong CAP. They will therefore take a prominent place in the reform.

**2. Presentations**

▪ **Opening statement**

*George Lyon, Rapporteur for the Own-initiative report on “The future of the CAP”*

Mr Lyon stated that the draft Own-initiative report is a starting point in which the key challenges are set. He welcomes any comments enabling to broaden and enrich this work.

Feeding a growing world population in the context of lands and raw materials reduction while meeting society's expectations represents a major challenge for farmers. Food security is of paramount importance. He identified green growth as an unprecedented opportunity and a priority for the CAP. Equally important is the environmental protection, the fight against climate change and market volatility. "We have to ensure that agriculture will continue across Europe", Mr Lyon said. Without a strong CAP, we run the risk of intensifying agriculture on good lands and desertifying the poorest ones. Fair trade is another challenge to take up. The EU must have the right tools for remaining competitive against countries such as the US where the sector is highly subsidized. He considers that "sustainability", i.e finding sustainable ways of producing food in order to meet the demand, has to be at the heart of the CAP.

To achieve a "fairer, greener and more sustainable CAP", Mr Lyon divided the core elements in five building blocks:

- Food security and fair trade. Direct area payment is essential to address the need for food security and build the capacity to trade fairly against major trading partners. As far as the payment system is concerned, Mr Lyon called for a move towards objective criteria for allocating subsidies. This goes for the delivery system. In other words, the historic system should be abandoned. The new system will help farmers continue to deliver public goods such as land management, biodiversity protection, attractive landscapes etc.
- Put sustainability at the heart of the direct payment system. Agriculture has a major role to play in tackling climate change through increasing carbon sequestration and reducing CO2 emissions. Mr Lyon pointed out that reliable measurements of carbon storage should be put in place.
- Co-financed payment for areas with natural handicaps. Continuing compensation payments will enable farms to keep living.
- Biodiversity and environmental protection. One of the critical elements is to ensure that farmers have access to agri-environmental scheme.
- Promoting green growth through co-financed measures. Agriculture can contribute significantly to green growth through biomass, solar energy etc. To this end, innovation should be encouraged.

In addition to that, measures to address the volatility of the market are needed. New financial tools such as risk insurance scheme, mutualisation scheme and futures markets should be considered. Mr Lyon defended the idea of creating a special budget line to respond to crisis if the CAP budget is too tight.

Besides, a competition policy and a common interpretation of the rules are vital to put an end at the huge disparity across Europe on the market rules.

Mr Lyon concluded by opposing firmly a renationalisation of the CAP and further co-financing. Simplification and proportionality should drive the implementation of the CAP.

## Debate with the audience

**Mr Tabajdi (MEP)** voiced his support for the idea of linking the future of the CAP with green growth. But when it comes to environmental and social public goods, it remains to be decided what the minimum required in terms of eco-conditionality is. In other words, when is environmental protection considered as satisfactory to be further remunerated?

**Mr Bertucelli (Association du chanvre français)** welcomed the fact that Mr Lyon's report takes into account the positive effects of agriculture on climate change mitigation. More precisely, the draft report makes a reference to the role of biomass and the CO<sub>2</sub> sequestration in soils. In addition to that, he would like to see the carbon storage potential of hemp recognized.

Somebody raised the question of funding, and in particular the issue of compulsory co-financing. Financial crisis requires good arguments to justify the CAP.

**Mr Lyon** is not convinced by the cross-compliance system. Adopted measures have to encourage farmers to deliver high public goods. It is up to the Commission to come up with ideas in this regard. Incentives should be preferred to regulation and cross-compliance. Likewise, he is not in favour of compulsory co-financing. The Member States will refuse to give money. Furthermore, he replied positively to Mr Bertucelli's question: the potential of hemp could fit into the second building block.

- **Study "Provision of public goods through agriculture"**

*Martin Scheele, Head of Unit "Environment, GMOs and genetic resources",  
DG AGRI, European Commission*

The Study "Provision of public goods through agriculture", issued in December 2009, was commissioned by DG Agriculture and carried out by the Institute of the European Environmental Policy. The concept of public goods is not a new one, since it dates back to the 1950's. Mr Scheele referred to public goods as an outcome of a deliberate action. Farmers can deliver a wide range of public goods such as biodiversity protection, land management, carbon storage, attractive landscapes, animal welfare etc. But whilst markets are powerful coordination mechanisms for balancing demand and supply of marketable goods, they are unable to ensure the delivery of satisfactory levels of public goods. Public intervention is therefore needed.

The key concept associated with public goods is common interest. A public good provides benefits that can be jointly enjoyed by a wider group of people; it is even difficult to exclude others from those benefits. Matters such as preserving biodiversity in mountains may be of interest to the group of citizens that is much wider than immediate users. Furthermore, such matters of common EU interest might be achievable only on the basis of financial solidarity. On the supply demand market, there is a clear need for public intervention to ensure that desirable level of public goods is delivered in line with society's expectations.

Mr Scheele underlined that common actions, rules and incentives are vital to secure public goods. Direct payments combined with cross compliance, safety net intervention and insurance instruments contributed to providing basic public goods. More ambitious levels of public goods, specific to the

respective regional contexts, are targeted through agri-environment payments, investments, training, knowledge transfer, and capacity building.

Finally, Mr Scheele insisted on the challenges for the provision of public goods. These challenges consist of ensuring consistency with the policy framework, transparency and simplicity of the intervention, strengthening measures effectiveness, as well as monitoring and evaluation.

- **Public goods: a new idea?**

*Eugénia Pommaret, Responsible for the Environment Service, FNSEA*

FNSEA represents 70% of the French farmers, 20 000 local trade unions, 116 federations and 36 specialised associations. FNSEA is member of COPA-COGECA.

Ms Pommaret recalled that the CAP is only 0, 43% of the EU GDP. This is little compared to the services delivered by farmers. It is important to make a distinction between public benefits directly linked to agricultural activities (1st pillar) such as food security, traceability, sustainable production of foodstuffs, jobs, attractive landscapes, and public benefits provided by farmers through their role as manager of lands (2nd pillar) such as biodiversity, sustainable production systems, measures to save water, decrease the risk of fires etc.

Ms Pommaret insisted on the fact that besides environment, public goods should include economic and social aspects. Maintaining economic activities in rural areas where job possibilities are low, planning territories with a positive impact on landscapes and consequently on other economic sectors (tourism etc) represent also public goods.

“An ambitious CAP supporting a sustainable agriculture is vital”, she claimed. This is justified by the need to ensure food security, cope with market volatility, unfair competition due to massive imports from countries where legal requirements are poor, reinforce the role of farmers in the food chain. To take up these challenges successfully, strong public intervention is needed. Ms Pommaret stressed that any modifications on payments would lead to a decrease in the number of farmers, the level of income and the delivery of public goods.

In her view, an evolution of the CAP “without revolution” is needed. In practical words, it means that its structure should be kept while optimising existing tools. Its budget should be maintained.

She proposed to combine direct payments with targeted measures so as to respond to territorial objectives.

Ms Pommaret added that the debate should be broadened to the valorisation of public benefits. This could be achieved by new approaches in parallel to the CAP such as credit markets set up between farmers and identified buyers for delivered ecological services, compensation mechanisms, fiscal measures, and contracts private/private. She voiced her support for a system combining public intervention and economic tools in order to give impetus to public goods.

Ms Pommaret concluded by underlining the necessity of reflecting on a better functioning of the markets. This is a prerequisite for improving the competitiveness of farmers, who should be more at

the heart of the food chain. Likely important is to develop new tools to enable the farmers to continue to provide public goods.

- **Public goods, a new idea?**

*Tony Pexton, English farmer*

Given his experience, Mr Pexton explained how the priorities of the agricultural policy have changed over the last 60 years. When he was a child, fields were smaller and separated by hedges. Farmers provided some public goods but did not produce much food. When he became a farmer, the primary objective set by the agricultural policy was to produce as much as possible. He did not hear about biodiversity and global warming was not even identified as a problem to be tackled.

Mr Pexton identified food security as one of the major challenges of our time. In 40 years, the production will have to double to feed the world population. This has to be done in the context of climate change, reduction of lands and natural resources and by meeting society's expectations in terms of biodiversity and more widely, sustainability. In this respect, science and research have a critical role to play in increasing food production. Innovation enables Mr Pexton to better understand the nutritional value of feed and how crops react. He can learn how to manage his farm in the way of producing food competitively while minimising the negative environmental consequences.

"We need desperately research", Mr Pexton said. He also called for knowledge transfer mechanisms between farmers and researchers. He argued that policy should not restrict production and should be based on science. In this regard, he emphasised the potential of genetic modifications.

Climate change will lead to a growing demand for biofuels. There is no doubt that biofuels represent another market for the European agriculture, he claimed.

Mr Pexton strongly believes that agriculture has to be competitive and profitable in a world economy subject to major changes out of control of farmers such as exchange rates, and price of beef in Brazil etc. All these changes affect considerably the profitability of the business. He holds that without sustainable profits, people will not be encouraged to invest in new technologies.

Mr Pexton concluded by underlining the enthusiasm of the new generation. He explained that the right policy framework, money, time, science, research, skills, and knowledge will be the ingredients enabling the farmers to meet the conflictive challenges the agriculture is facing. According to him, agriculture is multifunctional and the CAP should also be multifunctional.

- **Provision of public goods through modern agriculture**

*Alain-Dominique Quintart, Director for EU Policies, Syngenta*

Syngenta is one of the world's leading companies dedicated to agriculture with more than 25,000 employees in over 90 countries. It contributes to responding to the increasing global demand for food, feed and fuel while promoting a sustainable agriculture.

Biodiversity is one of the areas where Syngenta has been acting proactively for many years. More than half of European land is managed by farmers. This is therefore not surprising to see that biodiversity is critical in agriculture. In practical words, agriculture has both a positive and negative impact on biodiversity.

Interestingly, Syngenta created the Agéris Farms Network in 2001. It is composed of 11 professional and commercial farms in France. This Direct Partnership with farmers helps them implement good agricultural practices, preserve the landscapes, as well as communicate and share their experience. This has positive impacts on biodiversity from the soil to the fauna. Mr Quintart explained that audits are carried out on birds, plants, fauna etc. This enables to have a good picture of the state of biodiversity in the farms. Then land management and agricultural practices are used to increase biodiversity.

Mr Quintart gave the example of the hedges to show the best way of using information and managing farms. They look at the shape difference between the number of insects depending on the way hedges have been planted and which type of trees are used. What pollinators eat is also under scrutiny. Given that farmers encounter difficulties when it comes to measure biodiversity, they are trained to undertake this work.

Moreover, Mr Quintart insisted on the potential of sustainable intensive agriculture to deliver public goods. Although he acknowledged that new technologies can help, he pointed that tools are already available. In his view, efforts should be put on knowledge transfer. Likewise, political tools are available. However, “we have a unique opportunity to call for a joint-up approach, recognize the role of sustainable intensive agriculture, promote a result based approach, enhance the presence of agronomic advisors and reward the active ecosystem management by farmers.”

- **The shift of subsidies to support farmers delivering high level of public goods**

*Jenna Hegarty, Agriculture Policy Officer, BirdLife International*

Ms Hegarty expressed her concern about the environmental crisis we are facing. According to her, this is directly linked to agriculture, which has contributed to an unsustainable use of water, soil erosion, water pollution, loss of habitats etc. To underpin this idea, the report of the European Commission released last year reveals that the conservation status of agricultural habitats is the poorest.

Agriculture has also detrimental impacts on climate change, as it is an emitter of CO<sub>2</sub>. Although agriculture is part of the solution we have also to recognize that it is part of the problem.

Ms Hegarty regretted that the CAP does not favour a greener agriculture. She denounced a partial shift of CAP subsidies. Only 8% goes to agri-environmental scheme, the vast majority of subsidies being spent on direct payments delivering very little in term of environmental benefits. Furthermore, cross-compliance is failing to deliver basic level of public goods.

She claimed that the CAP should be substantially improved. Environmental problems being transboundary, collective actions are vital. The solution is not the market but public intervention.

The key principles which should drive the CAP are among others: strategic approach, contractual basis, accountability, coherence, transparency and avoid negative impacts on Developing countries. The CAP should seek to put in place basic farm sustainability scheme, support systems delivering high level of

public goods, target environmental scheme, and promote sustainability. The polluter pays principle should be applied.

Although the CAP can not do everything on its own, this is an incredible tool we have to use and reform, Ms Hegerty concluded.

## Debate with the audience

**The representative of the organic farming association** conveyed his thanks to Mr Pexton for his intervention. He suggested that Europe could reduce its meat consumption in order to avoid importing food from Developing countries which need it to feed their growing population.

**Mr Pexton** believes that we are in the situation of an imbalanced food demand and food supply. The world works on trade. In his view, it would be wrong to feed ourselves, isolate from the rest of the world and ignore the global problem.

Furthermore, one of the problems we are facing is the unlevel playing field. The European market is flooded by products coming from countries where farmers can use techniques considered as illegal in Europe. It is therefore important to make sure that public expectations turn into public buying habits.

**Mr Capoulas Santos** asked to Mr Scheele if there are any studies or surveys to understand if the society is aware of the delivery of public goods.

**Mr Scheele** explained that there are plenty of studies pursuing to assess the value of public goods. But it is quite difficult to get the exact quantitative results and, due to methodological difficulties, the results are not always fully consistent. However, based on these studies, we can certainly say that people care about public goods associated with the agricultural management of lands such as the sustainable management of natural resources and the preservation of biodiversity. However, much more efforts are needed so that the wider public understands better the role of farmers.

**A French former MEP** expressed her concern over the lack of consistency among the speakers. She deeply regretted that each of them spoke from their own prospective. She denounced the sectorial approach of public goods. Another critical issue she raised is the world competition. She denounced the fact that nobody speaks about the “European preference”. The problem of income is essential to maintain a European agriculture.

**Mr Capoulas Santos** agreed that the MEPs have to establish certain coherence. We need to reform the CAP but this reform should not result in a revolution, he said. This reform should be based on legitimacy and equity and guarantee a fairer redistribution among farmers. In his view, the meeting helped better understand the concept of public goods and represents a significant contribution to the ongoing discussion on the CAP reform.