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HOW THE CAP AND OTHER PUBLIC POLICIES COULD SUPPORT THE GREEN DEAL:
How to reconcile economic, climatic/environmental, and nutritional objectives?


Hervé Guyomard, INRAE, France

LVII Convegno SIDEA, Bologna, 16-17 settembre 2021

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> **Structure of the presentation**

- 1. Agriculture and food in the Green Deal**
- 2. EU agriculture is not on the right track to meet the Green Deal targets**
- 3. Necessity of supply and demand changes, and of a consistent policy mix for the whole food chain**
- 4. What role for the (future) CAP?**
- 5. Concluding comments**
 - Compatibility of the June 2021 Trilogue Agreement with the Green Deal?**
 - Necessity to address potential trade-offs**



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Report for the European Parliament (Nov. 2020)
Hervé Guyomard, Jean-Christophe Bureau, Vincent Chatellier,
Cécile Détang-Dessendré, Pierre Dupraz, Florence Jacquet, Xavier
Reboud, Vincent Réquillart, Louis-Georges Soler, Margot Tyebaert

STUDY
Requested by the AGRI committee



The Green Deal and the CAP: policy implications to adapt farming practices and to preserve the EU's natural resources



Policy Department for Structural and Cohesion Policies
Directorate-General for Internal Policies
PE 629,214 - November 2020

EN



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Mat'ère à débattre & décider

Quelle politique agricole commune demain ?

Cécile Détang-Dessendré, Hervé Guyomard, coord.



English version available in end 2021 / early 2022

What Common Agricultural Policy tomorrow?

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Environment and Climate in the Common Agricultural Policy

Environnement et climat dans la Politique Agricole Commune
Umwelt und Klima in der Gemeinsamen Agrarpolitik

Pierre Dupraz and Hervé Guyomard

The European Commission's (EC) legislative proposals for the CAP after 2020...

La PAC doit comprendre de nouveaux mécanismes d'incentive pour obtenir de meilleurs résultats en matière d'environnement et de climat, comme la Commission l'a ambitionné.

Green promises since a number of the 2018-20 CAP... reviewing factors for respecting these mandatory provisions...

aimed at improving the environment and climate effectiveness and efficiency of the CAP.

An increasing integration of environmental objectives and instruments into the CAP...

CAP payments for Less Favoured Areas (LFA) were introduced from the 1970s...

The machinery sector of 1992 opened the process of lowering market price support and reducing a by then sole progressively more and more decoupled from production decision and levels...

Review of Agricultural, Food and Environmental Studies
https://doi.org/10.1007/978-1-302-00133-7

NEWS AND VIEWS

Policies for the ecological transition of agriculture: the livestock issue

Pierre Dupraz 1

Accepted: 17 November 2020 / Published online: 06 January 2021
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Abstract

The new European Commission for 2019–2024 proposed the European Green Deal with renewed ambition for climate and environment policies to achieve carbon neutrality and a toxic-free environment by 2050...

Keywords: Agriculture · Climate · Biodiversity · Policy · European Union · Fiscal federalism

The EU's environmental footprint is well above the so-called planet boundaries (EEA 2018; Campbell et al. 2017). The agricultural sector contributes to this excess through greenhouse gas (GHG) emissions and negative impacts on biodiversity, air, water and soil...

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Animal
The international journal of animal biosciences

Review: Why and how to regulate animal production and consumption: The case of the European Union

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Keywords: Animal production · Regulation · Policy · European Union · Sustainability

Introduction

Animal production and consumption generate damage and provide benefits that affect public goods. As a result, they are not well aligned with society's preferences...

As in other parts of the world, animal production in the European Union (EU) and upstream and downstream activities that depend on it, may be a significant cause of climate, environmental and health damage...

✉ Corresponding author: Email address: h.guyomard@inrae.fr (H. Guyomard)

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➤ Agriculture and food in the Green Deal (1)

Carbon neutrality by 2050
Low-carbon and sustainable growth

Implementation through various strategies, including
The Climate Plan and Law
The Farm to Fork Strategy (F2F)
The EU Biodiversity Strategy in 2030

Quantitative targets for agriculture by 2030
No explicit quantitative targets for the food sector and for diets (except for food waste and losses)


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The EU as a global leader



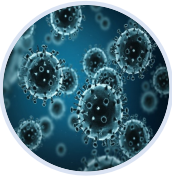



A European Climate Pact

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➤ Agriculture and food in the Green Deal (2)



Green Deal targets for agriculture defined in the F2F and Biodiversity strategies

					
Reduce by 50% the overall use and risk of chemical pesticides and reduce use by 50% of more hazardous pesticides by 2030	Achieve at least 25% of the EU's agricultural land under organic farming and a significant increase in organic aquaculture by 2030	Reduce sales of antimicrobials for farmed animals and in aquaculture by 50% by 2030	Reduce nutrient losses by at least 50% while ensuring no deterioration in soil fertility; this will reduce use of fertilisers by at least 20 % by 2030	Bring back at least 10% of agricultural area under high-diversity landscape features by 2030	Achieve 100% access to fast broadband internet in rural areas by 2025

Source : EC (2020) p. 7

+ Climate change objectives (Climate Plan and Law)

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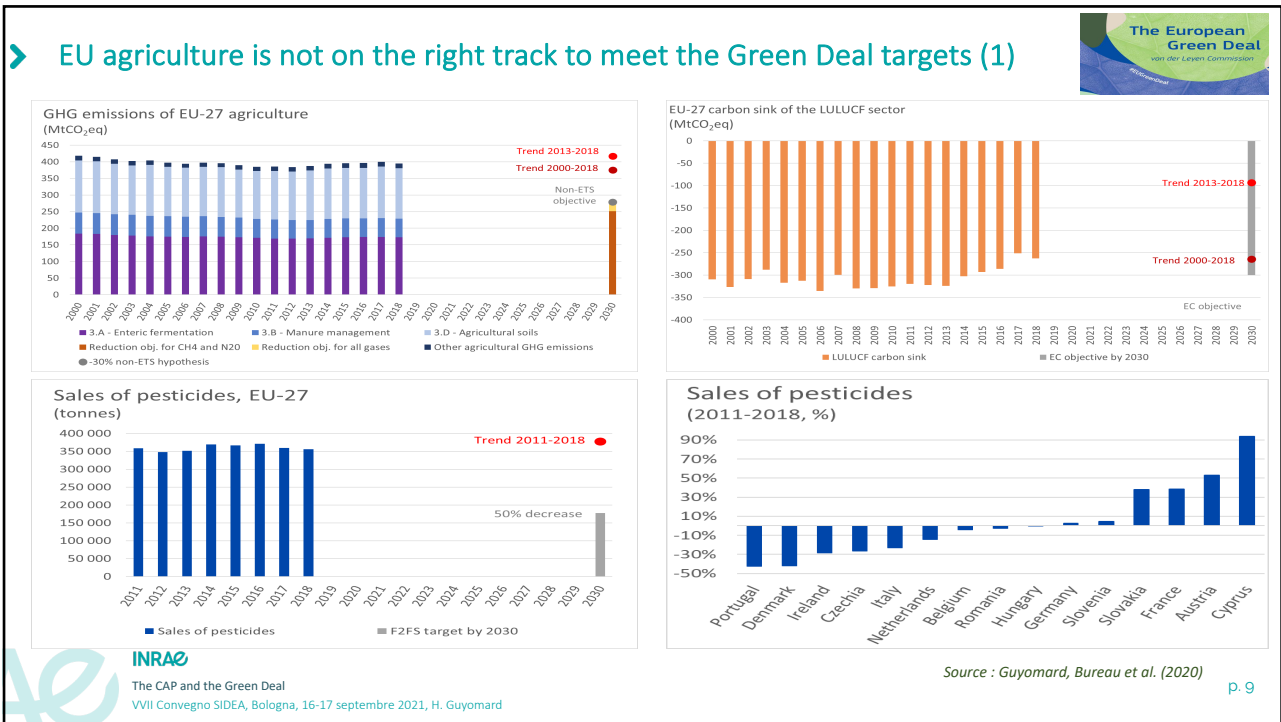
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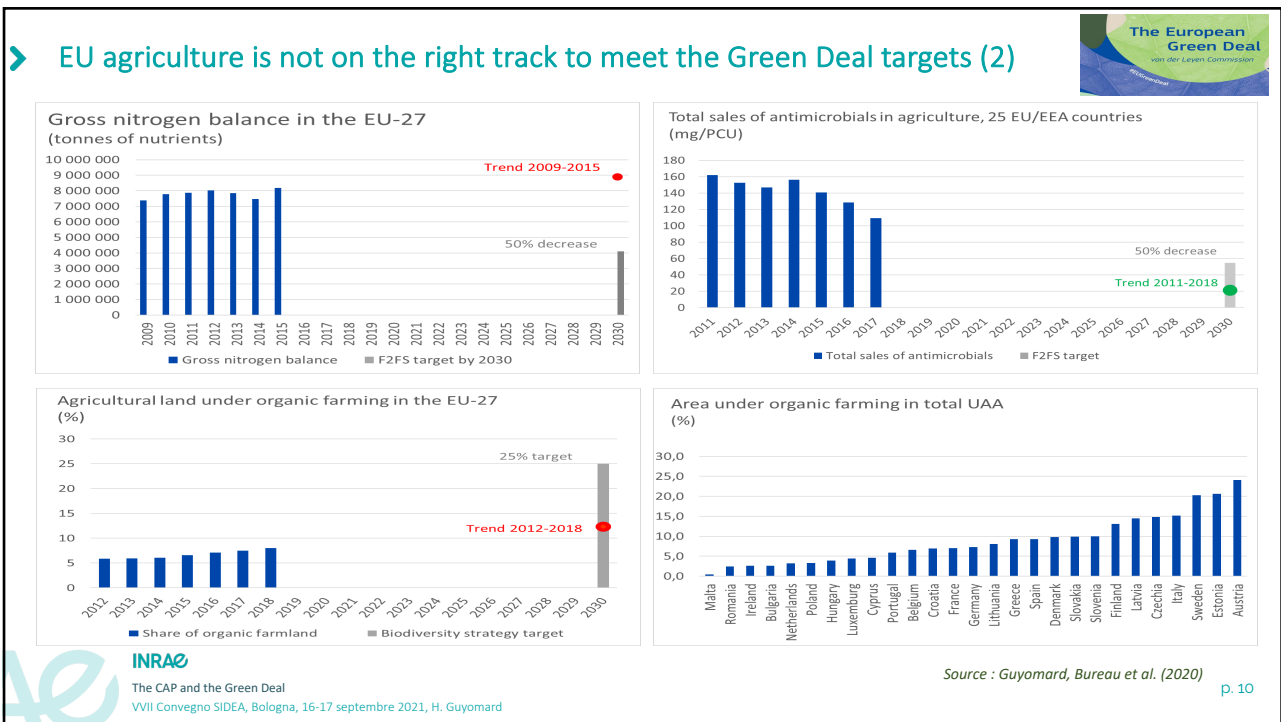
➤ **EU AGRICULTURE IS NOT ON THE RIGHT TRACK TO MEET THE GREEN DEAL TARGETS**



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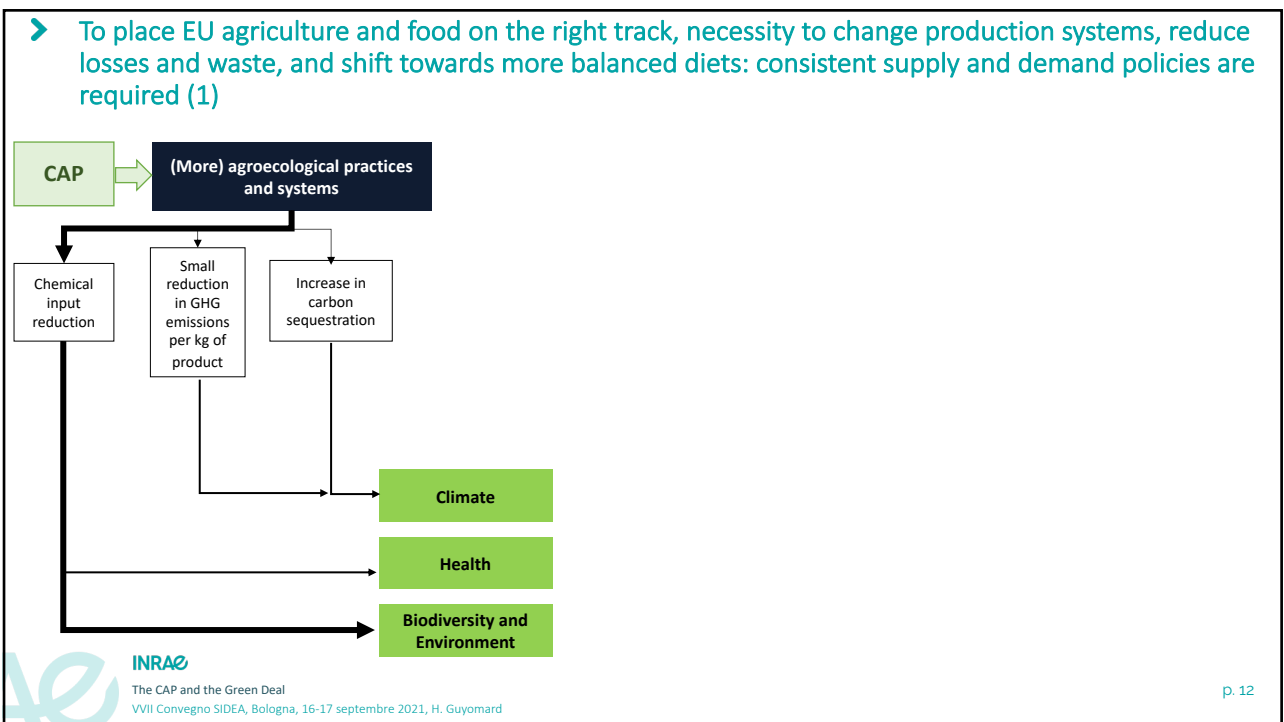
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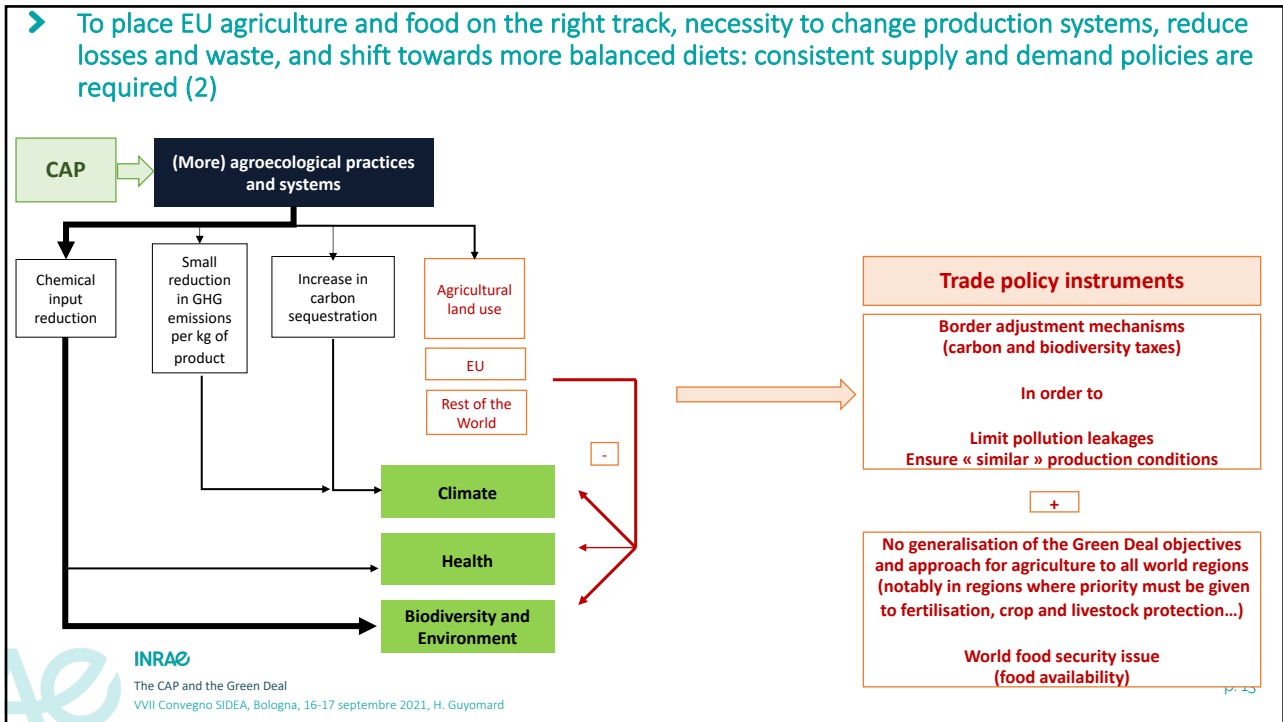
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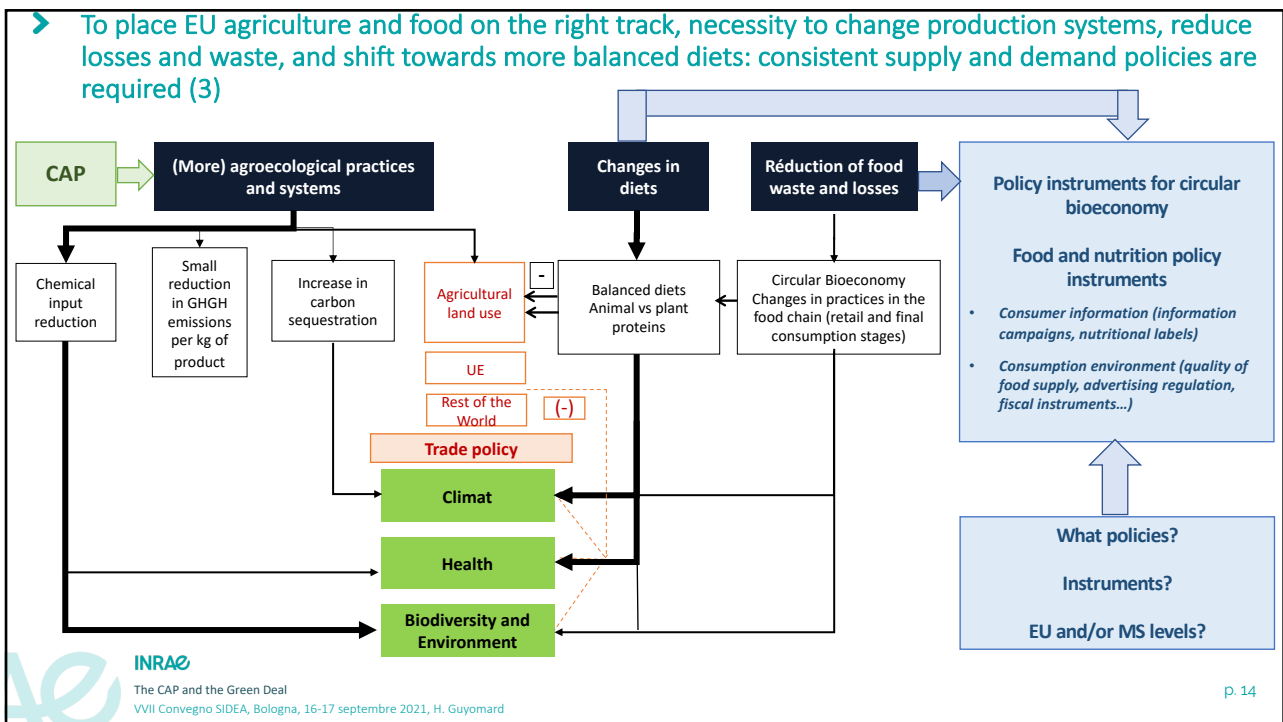
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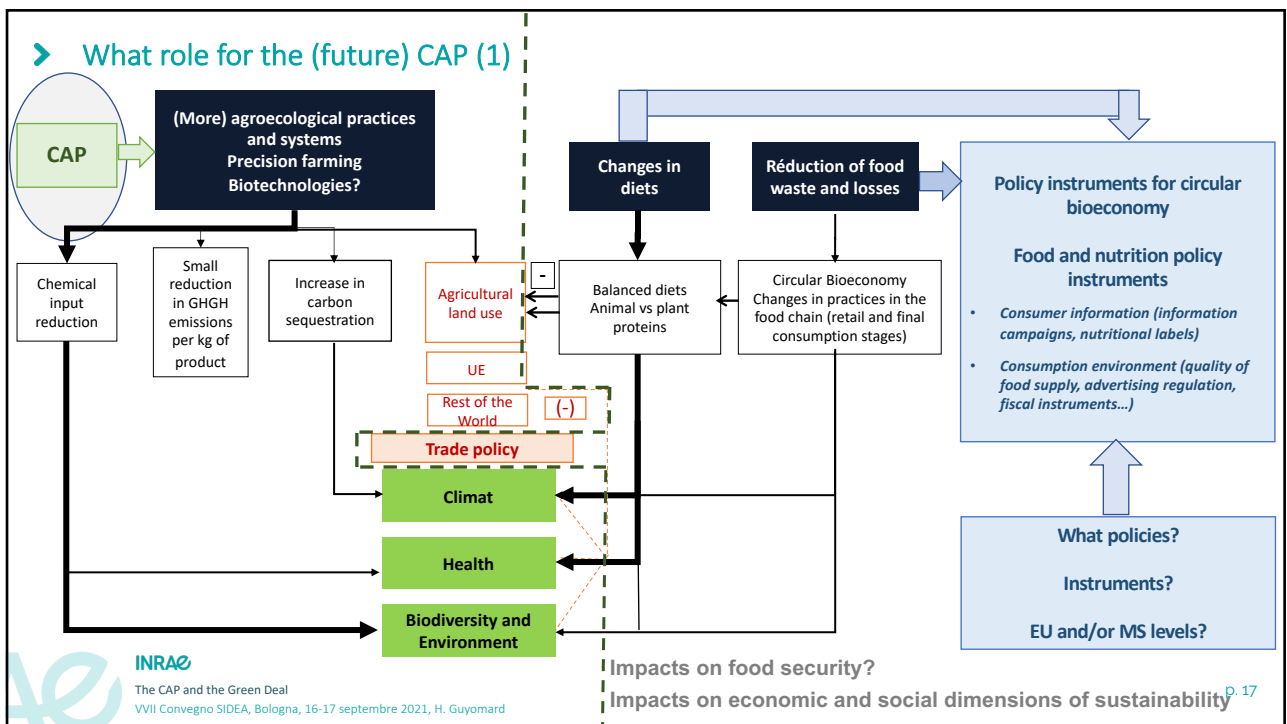
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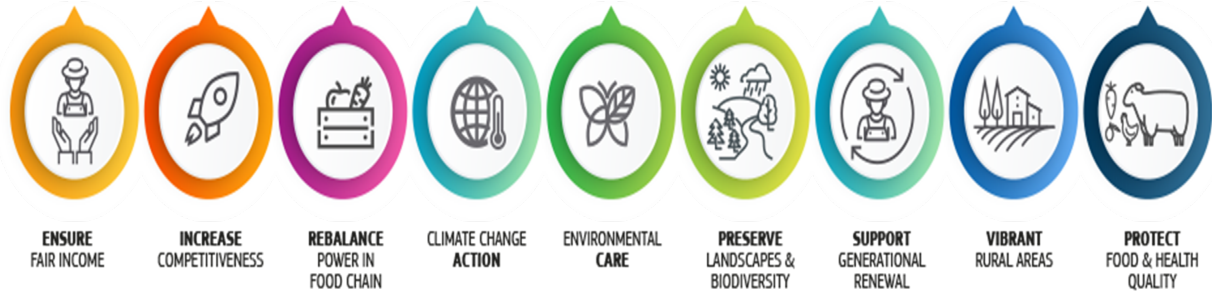


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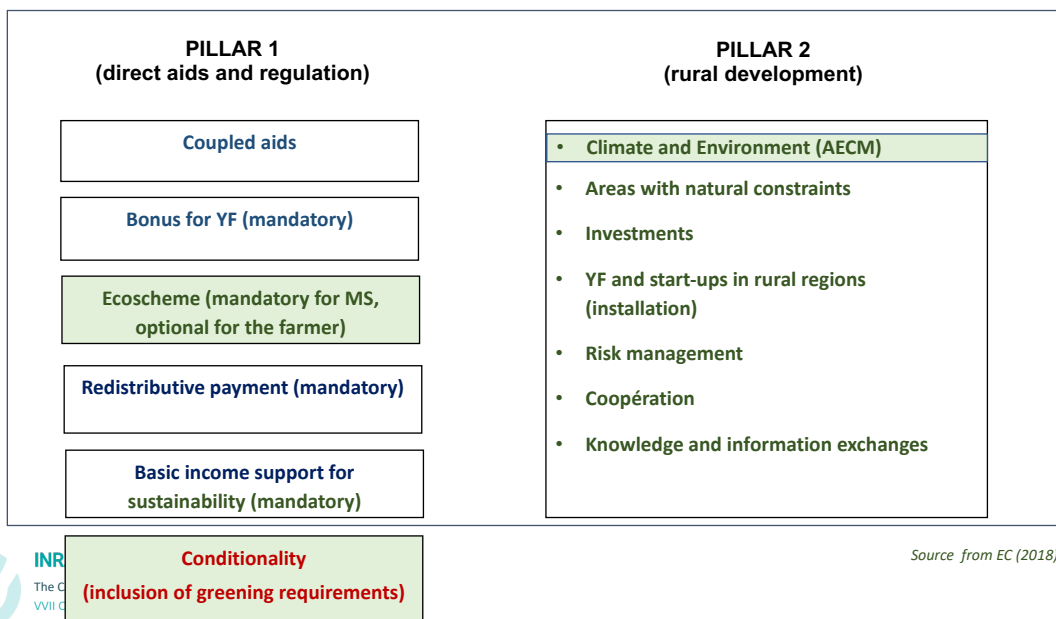
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➤ The nine specific objectives of the future CAP (2)

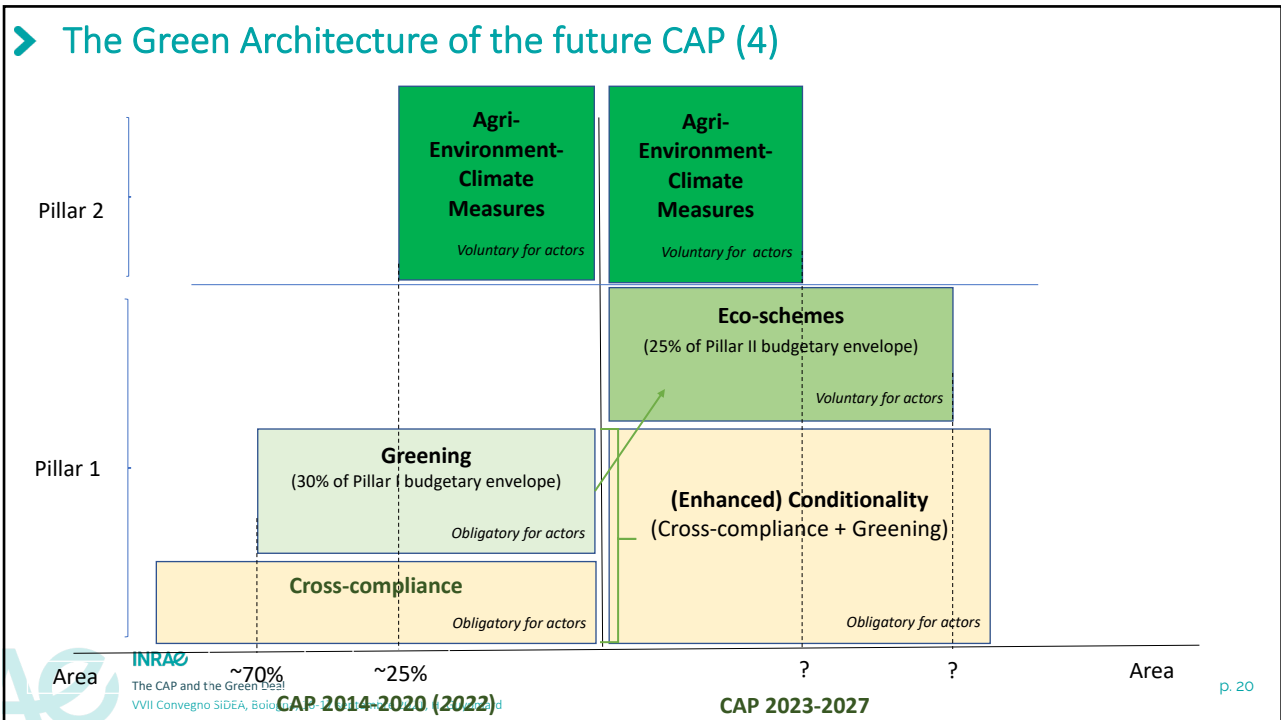


Source : CE (2018)

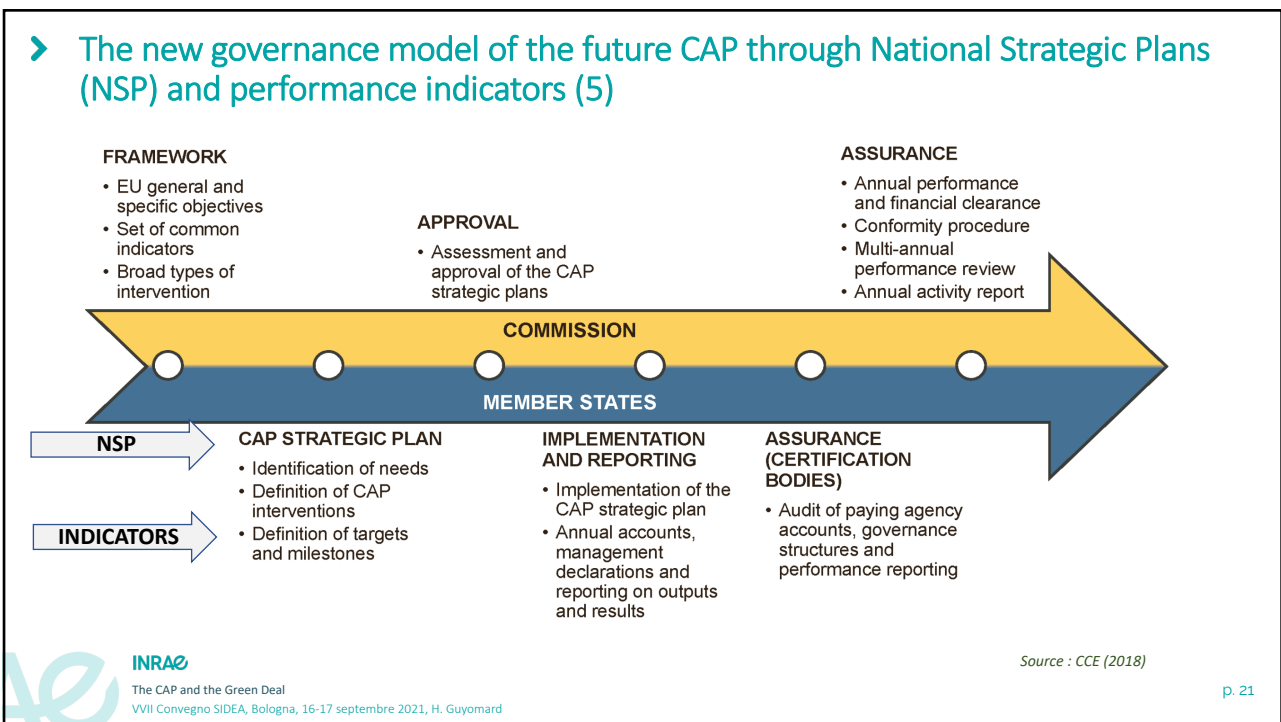
➤ The instrumentation of the future CAP (3)



Source from EC (2018)



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➤ How to use the Green Architecture of the future CAP to help to achieve the GD objectives? (6)

- **Green architecture (partially) consistent with the PPP (conditionality) and the PGP (ecoscheme and AECM)**
 - **Dividing line between conditionality (PPP) versus ecoscheme and AECM (PGP), and severity of requirements -> climate/environment and economic performances (cf. next section)**
- **Recommendations for really strengthened conditionality requirements**
 1. **Cross-compliance and greening requirements of the current CAP: no-backsliding principle**
 2. **No exemption/exception (whole agricultural area)**
 3. **More stringent provisions for some proposed GAEC, for example: #1 (permanent grassland), #2 (peatlands & wetlands), #9 (high-diversity landscape features)**
 4. **Introduction of new GAEC in relation to the Green Deal targets: #11 (pesticides), #12 (nutrients), #13 (antimicrobials), #14 (GHG greenhouse gas emissions)**
 - **Indexes (uses/emissions)**
 - **Reporting**
 - **Base for corresponding ecoscheme measures (and/or AECM)**



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➤ How to use the Green Architecture of the future CAP? (7)

- *Green architecture (partially) consistent with the PPP (conditionality) and the PGP (ecoscheme and AECM)*
- *Conditionality*
- **Ecoscheme versus AECM**
 - **Fiscal (environmental) federalism**
 - **Ecoscheme in P1 (100% budget EU) on global public goods: climate, biodiversity + Green Deal targets + animal welfare**
 - **AECM in P2 (co-funding) on local public goods: soils, water, air, landscapes**



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Eco-scheme measures on global environmental public goods (climate mitigation, biodiversity preservation/restoration) + GD targets and animal welfare (8)


CC	<ul style="list-style-type: none"> • ES #1: Permanent grassland (no ploughing at the plot level, 3 payment levels (grassland age), bonus for legumes) • ES #2: Wetlands and peatlands
Biodiversity	<ul style="list-style-type: none"> • ES #3: Crop diversity (payment increasing with the value of a diversity index, bonuses for small plots and “permanent” soil coverage) • ES #4: EFAs (without productive land uses, 3 aid levels (5, 10, >10%), bonus 1 for rare ecological focus areas, bonus 2 for their spatial continuity)
GD Targets	<ul style="list-style-type: none"> • ES #5: Pesticides (index, below the mean/median, several aid levels) • ES #6: Nutrients (index, below the mean/median, several aid levels) • ES #7: Antimicrobials (index, below the mean/median, several aid levels) • ES #8: GHG emissions (index, below the mean/median, several aid levels)
Animal Welfare	<ul style="list-style-type: none"> • ES #9: Animal welfare

GD targets in conditionality requirements and eco-schemes as a way to overcome the problem of inspirational GD targets

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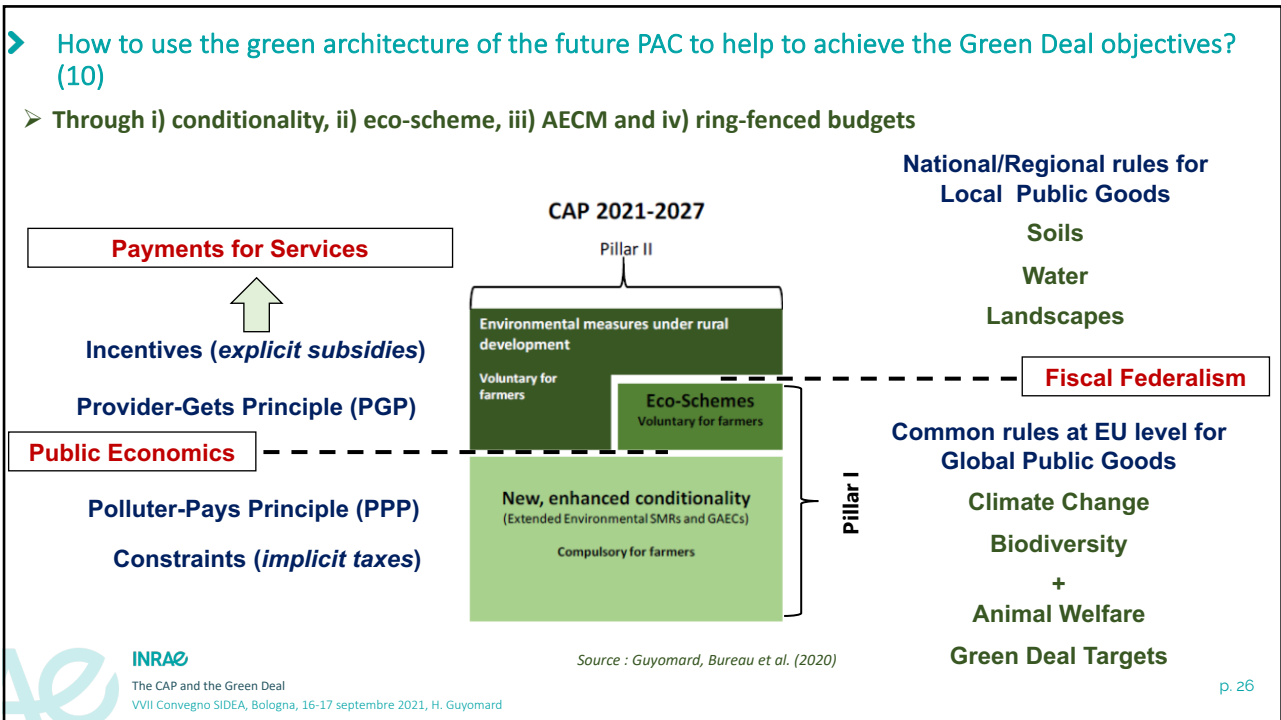
➤ **How to use the green architecture of the future CAP? (9)**

- *Green architecture (partially) consistent with the PPP (conditionality) and the PGP (ecoscheme and AECM)*
- *Conditionality*
- *Ecoscheme versus AECM*
 - *Fiscal (environmental) federalism*
 - **From a logic of compensation for extra costs and/or profit loss to a logic of payments for services**
 - **From an obligation of means (practices) to an obligation of results (impacts)**
 - **WTO “constraint” (green box), but large rooms of manoeuvre (+ imagination)**
 - **Increased payments with the provision of services**
 - **Better legitimization of public support**
 - **Possibility to develop payments for services funded also by the intermediate and/or final user (alleviating the budget constraint)**
- **Ring-fenced budgets in both Pillar 1 (20% for climate and 20% for biodiversity) and Pillar 2 (35%)**

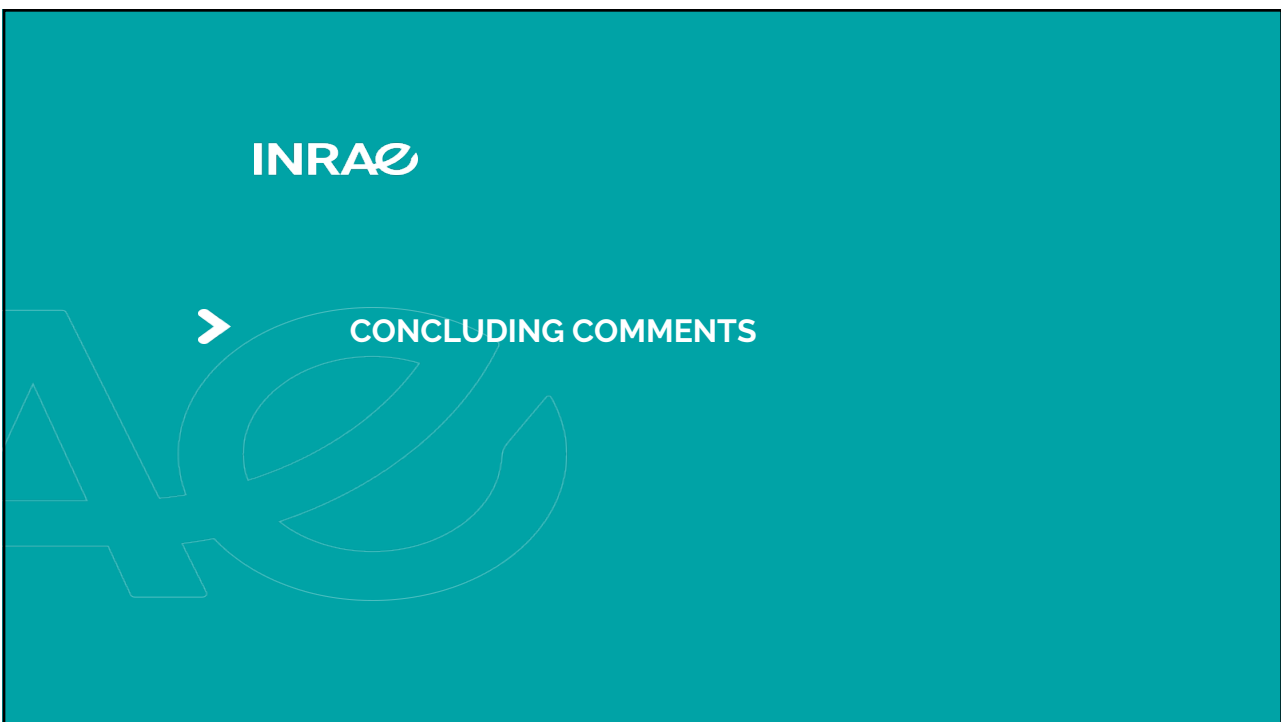
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➤ Compatibility of the June 2021 Trilogue Agreement with the Green Deal? (1)

- The 2023-27 CAP as a credibility test of the ambition of the EC, the EP and the Council (and of MS)
- Climatic and environmental measures of the June 2021 Trilogue Agreement likely too modest (despite 25% of P1 envelope for eco-schemes)
- Not easy to assess the Trilogue Agreement (as well as any CAP reform proposal and the Green Deal)
 - Technical shortcomings (data, models, impact indicators) -> important research needs
 - Many uncertainties and unknowns
 - Detailed content of NSP?
 - Heterogeneities among MS depending of the political will of each MS with risks of (increased) distortions among MS
 - Capacity of the EC (and the EP) to effectively influence/constraint NSP?
- A CAP reform that will soon call for another before 2027?



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➤ The necessity to address potential trade-offs of the Green Deal (2)

- [T1] Land sharing (logic of the Green Deal) versus land sparing
- [T2] Environmental (biodiversity) versus climatic objectives
 - Green Deal
 - Less chemical inputs
 - lower yields (productivities)
 - Positive impact on biodiversity in the EU
 - Possible negative impact on climate change (and biodiversity at world level) if more agricultural land in the EU and/or increases in imports from third countries less efficient than the EU from a climatic/environmental point of view
 - Green Deal “answer” by simultaneous changes in European diets
 - Issue of access cost to more balanced diets in the EU (food checks for poorest households?)



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➤ The necessity to address potential trade-offs of the Green Deal (3)

- [T3] Climatic/environmental objectives versus food security
 - Food security
 - Not only a question of food availabilities, but also of affordability, allocation and stability (FAO)
 - Food availability not threatened in the EU
 - Important not to generalize the EU Green Deal approach to all regions of the world, in particular in (less developed) countries where productivities are low - and their increase requires an augmented access to inputs (fertilizers, plant and animal protection products, water...) - and where natural areas are still important (cf. land sparing strategy)
- [T4] Climatic/environmental objectives versus economic performances (farm incomes)

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➤ The Green Deal: strengthening climatic and environmental requirements/measures to the detriment of economic results (ag. incomes)? (4)

- **USDA report on food security and economic impacts of the Green Deal (Beckman et al., 2020)**
 - UE scenario
 - In the EU, agricultural productions (-12%), prices (+17%), imports (+2%), exports (-20%)
 - Evolutions consistent with agronomic and economic theory (de-intensification)
 - Numerous interrogations on assumptions and simulation results, for example:
 - Variations in % of production and prices of individual products versus variations of aggregate productions and prices
 - Decrease in gross agricultural income (-16%) -> cannot be explained without additional assumptions (not detailed)
 - Static simulations without considering adjustments (structures, productivities)
 - Climate, environment and health benefits not analysed
 - Demand aspects of the Green Deal not taken into account



Findings and limitations of the USDA-ERS study
Economic and Food Security Impacts of Agricultural Input Reduction under the European Union Green Deal's Farm to Fork and Biodiversity Strategies
 Guy RICHARD (INRAE), Chantal Le Mouél (INRAE), Alban THOMAS (INRAE), Jean-Christophe BUREAU (AgroParisTech) and Hervé GUYOMARD (INRAE) December 14, 2020
 3 décembre 2020
 Blog inrae

DECEMBER 7, 2020 by Yelto ZIMMER
 EU Farm to Fork Strategy: How reasonable is the turmoil predicted by USDA? Blog capreform.eu

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➤ The future CAP: strengthening climatic and environmental requirements/measures to the detriment of economic results (ag. incomes) (5)

▪ Impacts on farm incomes of a increased climate/environment

ambition: illustration in the case of France

	Land classes (UAA)					Total
	30 ha <	30 - 60 ha	60 - 100 ha	100 - 200 ha	> 200 ha	
In euros per farm						
1500 - Cereals, oilseeds, protein crops	ns	-1 190	-1 490	-2 910	-5 620	-2 630
1600 - Grande culture	-900	-1 280	-1 580	-3 890	-7 020	-3 040
3500 - Wine	280	1 010	1 510	2 120	ns	540
4500 - Beef milk	ns	-800	-1 140	-2 990	-6 070	-1 920
4600 - Beef meat	ns	-450	-980	-2 750	-3 040	-1 700
4700 - Beef milk and meat	ns	-2 460	-1 000	-3 030	-5 000	-2 800
4813 - Sheep and goats	-1 200	-3 200	-4 070	-4 560	-5 360	-3 590
6184 - Crops and livestock	-1 100	-9 560	-6 390	-7 660	-11 390	-2 380
All orientations	100	-890	-1 240	-3 040	-5 570	-1 740
In % of income (current result before tax)						
1500 - Cereals, oilseeds, protein crops	ns	-9,8%	-8,4%	-10,0%	-11,5%	-10,2%
1600 - Grande culture	-1,7%	-4,1%	-4,1%	-5,5%	-4,8%	-4,7%
3500 - Wine	0,6%	1,6%	2,0%	1,0%	ns	1,0%
4500 - Beef milk	ns	-3,2%	-3,0%	-4,9%	-5,9%	-4,2%
4600 - Beef meat	ns	-3,7%	-6,4%	-11,3%	-7,2%	-8,4%
4700 - Beef milk and meat	ns	-11,1%	-4,6%	-6,5%	-7,0%	-6,7%
4813 - Sheep and goats	-8,1%	-13,7%	-12,3%	-18,2%	-8,0%	-12,7%
6184 - Crops and livestock	-0,9%	-20,8%	-12,0%	-10,9%	-12,5%	-4,1%
All orientations	0,2%	-3,0%	-3,8%	-6,4%	-7,5%	-4,2%

Source: Chatellier, Détang-Dessendre, Dupraz, Guyomard, (2021)
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- Hypothetical ecoscheme
- 25% of P1 budget
- Permanent pastures and reduction in pesticide use
- Numerous *ad hoc* assumptions, notably in terms of beneficiaries and extra costs
- FADN for the year 2019
- No price effects, no adjustments
- Important negative impacts on incomes
- Similar "qualitative" results with a scenario corresponding to the transfer of 15% of P1 on P2 (AECM and OF)

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➤ The future CAP: strengthening climatic and environmental requirements/measures to the detriment of economic results (ag. incomes) (6)

▪ Trade-off between climatic/environmental performance and economic performance (ag. Incomes), at least in the short run

▪ This trade-off should not be used as a pretext for maintaining unchanged the current situation: the status-quo is non longer an option

▪ It urges solutions to limit the negative impact on incomes, notably

- Progressive transition (however, risk of a too low transition)
- Productivity increases (genetics and precision farming -> acceptability by the EU society?)
- Consumer willingness to accept higher prices for food items from (more) environmentally-friendly practices and systems (no OF) that should induce price increase (however, competition from imports and price formation along the whole food chain)
- Complementary income sources: payments for services funded not only by the taxpayer (CAP) but also by the user (intermediate and/or final); environment and health benefits (savings) to

compensate extra costs

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➤ Final words (7)

▪ Green Deal:

- Consistent approach of the whole food chain
 - However, undesirable to generalize the Green Deal “approach” (agriculture) to all regions of the world (food security issue; cf. land sparing vs land sharing debate)
- Agriculture ≠ Agriculture and Food
- CAP ≠ Green Deal policies (supply and demand)
- Significant changes in dietary patterns are required in order to reduce the climatic footprint of EU food systems (animal products, notably ruminant meat) with health co-benefits
- At odds with the June 2021 Trilogue Agreement
- Impact assessments on the various dimensions of sustainability, including economic impacts (farmers, consumers), and necessity to explicitly address possible trade-offs



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➤ Thank you for your attention

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