European Organic Farming Policy and CAP Reform

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Outline

• Reasons for organic farming support
• Examples of support
• Balancing policy support and markets
• How the CAP fits
• Reform options
• Priorities for CAP reform from an organic perspective
Reasons for organic farming support

• Public goods
  ◆ Environmental protection (ORC biodiversity review)
  ◆ Resource conservation
  ◆ Greenhouse gas mitigation
  ◆ Animal welfare
  ◆ Social goals (rural development)

• Infant industry
  ◆ Expanding consumer choice
  ◆ Developing markets

• Both reflect market failure issues
The policy challenge

• Need to recognise hierarchy of policy goals:
  ◆ Develop/improve organic farming for its own sake, or
  ◆ Encourage organic farming as a means to achieve broader policy goals

• How can policy-makers support:
  ◆ a multi-functional, farming systems approach,
  ◆ which addresses multiple goals,
  ◆ serving a wide range of interest groups with differing priorities?
Possible support options

- Market mechanisms
- Standards and regulations
- Direct payments (supply push)
- Capital investment
- Information (research, training, advice)
- Market development
- Consumer awareness (demand pull)
Examples of support

• Agri-environmental direct payments
  ➤ Wide range of schemes, availability, requirements, and payment rates even within UK
  ➤ Result not a level playing field for market development
## Organic farming scheme payments (€/ha)

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Examples of support

• Agri-environmental direct payments
  ◆ Wide range of schemes, availability, requirements, payment rates even within UK

• Information – e.g. OCIS
  ◆ Commission’s review of Farm Advisory Services says improved advisory support for farmers’ converting to organic farming needed
  ◆ England to withdraw OCIS

• Consumer promotion
  ◆ Use of gov’t funds to match EU funds elsewhere
  ◆ UK relies solely on industry match-funding

• Market development – RDP Axis 1 grants
Interaction with markets

• Organic schemes unique because of market interaction
• Certification systems can help verification but also a transaction cost
• Policies led to strong increase in supply in some countries
  ♦ But direct payments alone may not be sufficient to stimulate growth
Market – policy conflicts

• Financial support can lead to over-supply problems, decreasing organic prices and inter-regional trade distortions

• Should schemes be restricted to prevent growth in supply ahead of demand?

• Increased supply needed for new entrants and market growth, which expands trade opportunities

• Should potential for environmental benefits from land management be restricted to avoid market distortions?
Looking at it another way

• Environmental and other public benefits come from the production, not marketing, of organic products
• Should minority of consumers pay for benefits accruing to society as a whole?
• Are consumers looking for the same benefits as policy makers?
• Consumer interest not primarily focused on the environmental or other public benefits
Resolving the conflict?

• Historically, organic producers turned to the consumer to help them achieve this
• Market developed as a means to an end
• Should we consider decoupling of direct support, certification and organic markets?
• Historically, Sweden has not linked AE scheme to OF certification
• Or should we be thinking about only relying on markets?
Achieving integration – action plans

• Definition of relevant goals
• Integration of market and public support
• Integration of stakeholders and public institutions in partnership approach
• Integration of policy measures (supply ‘push’ and demand ‘pull’)
• Focus on specific, often local, issues that need to be addressed with tailored measures
• Some countries still working with ambitious actions plans – in UK only Scotland leading?
How the CAP fits

• Organic producers should benefit because area payments now decoupled from production,
• Cross-compliance easier to achieve?
• Historical payment basis favours higher intensity producers & more recent converters
• Historically, set-aside also worked against interests of organic producers, until exemption introduced
• Typically organic producers receive less from mainstream (Pillar 1) payments, but more from Pillar 2 (agri-environment/rural development)
CAP Reform Options

• No change
• Continuation of Pillar 1 payments as market insurance scheme with slight adjustments (O1 - NFU)
• Increased emphasis on payment for public goods (greening of Pillar 1) and fairer distribution of resources (O2 - most)
• Increased emphasis environmental support, while phasing out direct payments (O3 - UK)
• Ending of all subsidy payments (replacement with social security support)
EU Environmental Group Perspectives

National and EU NGOs and Nature Conservation Agencies argue for:

• Strengthened environmental measures
• Support for High Nature Value and Organic Farming, AND
• Pillar 1 focused on public benefits

Current options do not go far enough
Priorities for CAP reform from an organic perspective

• Not just a quality standard!
  ◆ Only mention in CAP reform proposals published in November in this context

• Agri-environmental support still justified
  ◆ But financial constraints and changing political priorities mean organic less favoured in some countries, including in UK
  ◆ Can be cost-efficient part of mix, in combination with targeted measures
Greening of Pillar 1

• Organic farming can deliver public goods and could become part of Pillar 1
  ◆ EU-wide regulation defines what it is
  ◆ Consistent payment levels could address some market distortions
  ◆ 100% EU financing could ensure universal support

• Not a favoured option in Commission

• Current debate focused on compulsory actions:
  ◆ e.g. Environmental set-aside and perm. grassland
  ◆ Green cover and rotations more problematic

• UK disagrees with overall Commission proposals and will not even consider OF option
Next Steps

• Jan 25\textsuperscript{th}: Deadline for consultation responses: 

• ORC working with EU research partners on review of organic farming policies in different countries, including England and Wales

• July 2011: Commission to publish legal proposal on CAP post-2013, followed by:
  ♦ 2013: Drafting of new CAP strategy & programmes
  ♦ 2014: Implementation of new CAP to begin