



**A CAP for healthy farms, healthy  
people, healthy planet**

Public money must deliver public goods

November 2016

## Introduction

### ***The Common Agricultural Policy offers limited solutions for a broken system***

With 40% of the EU budget going to the Common Agricultural Policy (CAP), the decisions made about which farming systems and practices to promote directly shape the kind of food system we have in the EU. By mainly focusing on competitiveness, the CAP has contributed to making Europe largely self-sufficient and a leading exporter of food globally. However, by not putting farm sustainability at the heart of its architecture, the CAP is not fit to address the challenges facing the agri-food sector from food security, to rural development, to climate change - less than 30% of EU agriculture spending goes to environmental and climate action and investments in sustainable farming systems account for a mere 1.5%.<sup>1</sup> This has come at the expense of healthy farms, people and our environment which are critical for the sustainable development of agri-food systems.<sup>2</sup>

### ***The result is that the countryside is losing farmers***

With farmers exposed to market volatility that is destroying their livelihood, income safety net appears to be having a limited impact in keeping farmers on the land - 1 out of 4 farms have disappeared in the EU between 2003 and 2013.<sup>3</sup> The mass exodus is exacerbated by the CAP promoting ever larger and more specialised farms. This leads to greater dependency of external inputs, from synthetic pesticides and fertilisers use to the import of feed, and fewer and fewer employment opportunities. Farming is the backbone of rural economies and such trends severely threaten the long-term viability of rural areas.

### ***The result is that good food is not reaching all people***

Although we already produce more than enough to feed everyone, one-third of food produced globally is wasted – over 790 million people are suffering from hunger globally,<sup>4</sup> while a further 1.9 billion people are classified as overweight or obese.<sup>5</sup> In the EU alone, 7% of health budgets are swallowed up each year treating diseases related to obesity with further indirect costs resulting from a loss of productivity due to health problems and premature deaths.<sup>6</sup>

### ***The result is that the planet is being threatened***

Intensive, industrial agriculture plays a major role in pushing the planet beyond its limits. The loss of genetic diversity and excessive amounts of nutrients are high risks areas if current development patterns continue. Trends in other areas including land use change and climate change are increasingly concerning.<sup>7</sup> Globally, more than 90% of crop varieties have disappeared from farmers' fields and 75% of the world's food is generated from only 12 plants and 5 animal species.<sup>8</sup> Moreover, an overabundance of nutrients resulting from over fertilization is polluting our air and water, and destroying the ecosystems. Unsustainable land use also threatens key ecosystem services and increases our vulnerability to climate change where agriculture is directly responsible for 10% of greenhouse gas emissions.<sup>9</sup>

### ***We have a different vision***

Food and farming systems that are fair, environmentally conscious, healthy and caring across Europe and the world. To achieve this, we need to **TRANSFORM FOOD AND FARMING**. We need to move towards agricultural production that works with nature, promoting the natural capacity of soils, plants and animals which makes farms more resilient. This can only happen if the environmental, social, and public health costs of farming – largely ignored and often not correctly calculated – are better reflected in the price paid to farmers and the cost of food. With such changes, farmers and all workers across the food value chain can be fairly remunerated, while value of food production can be fairly distributed across the system. Citizens play an important role in this transformation too, and

therefore we need new business models and means of communications that can increase understanding and create trust between farmers and the people eating their produce.<sup>10</sup>

As farmers, we need to be aware that spending the EU budget largely on income support with a limited impact can no longer be justified – the pressure on the EU budget for agriculture is higher than ever before. The organic movement is strongly convinced that a strong budget must be allocated to the agriculture, but only by overhauling agricultural spending priorities and making a better deal between farmers and citizens.

***Practically speaking, the organic movement is calling for a fundamentally new approach to the CAP that is capable of supporting sustainable development.*** Instead of allocating money for the number of hectares or individual actions, payments for farms must be holistic. In addition to produce valued by markets, it must prioritise the often hidden environmental and socio-economic services that farmers produce and provide to society as part of their whole farm business. Changing the focus would fundamentally support farmers whose approaches inherently works towards the socio-economic and environmental sustainability of their own farms, their regions and the citizens. In the end, this is a win for taxpayers and citizens too. A new CAP, aligned to the UN's 2030 Agenda for Sustainable Development,<sup>11</sup> that is focused on the tangible, environmental and societal outputs of farming would help to keep farmers in business, provide high-quality food, and contribute to EU goals regarding rural viability, climate change and the environment.

## 1. Mainstream approach for public goods in agricultural production missing

**Recognition of agricultural public goods by markets:** Agriculture is highly dependent on our environment and natural resources to produce private goods (e.g. farm produce) and public goods (e.g. high on-farm biodiversity and clean water) for the market and society respectively. However, European farmers are largely confronted by the need to maximise their price competitiveness for the private goods they produce in an increasingly globalised food system. Such a system does little to consider the public goods they should also deliver which are critical to confront the challenges facing the agri-food sector from food security, to rural development, to climate change. These developments have been largely facilitated by an EU farm policy that is orientated towards accelerating agricultural competitiveness and 'feeding the world'. This contradicts with the real need to create the right conditions for the development of more sustainable agri-food systems in the EU and beyond its borders, based on the principle of food sovereignty.

This paper sets out a Vision for putting the principle of public money for public goods at the heart of the EU's Common Agricultural Policy post-2020, based on a new deal between farmers and citizens. We call for a new flagship payment model that incentivises and rewards environmental and socio-economic services delivered at farm level. Whilst our Vision makes references to complementary support measures such as those related to farm advice and extension services, supply chain development, infrastructural investment, promotional activity and innovation, the paper does not purport to comprehensively cover all elements of the policy.

**Growing consumer demand for farmers to produce public goods:** At the same time, demand amongst EU citizens for sustainable food production continues to grow year-on-year.<sup>12</sup> This demonstrates that a growing number of consumers are prepared to pay for food produced to higher sustainability and quality standards. However, whilst some farmers are already pioneering organic farming or other innovative agroecological practices and engaging with consumers about their production methods, they remain a small minority overall. As a result, fully implementing the principle of public money for public goods can start creating more solid foundations for mainstreaming high quality food production and helping Europe to start phasing-out its current approach of producing “cheap food” for global markets. In the end, such changes should move Europe towards greater agricultural sustainability based on more diversified markets and balanced development, both within and outside Europe.

## 2. Why we need to invest in public goods

Currently the costs arising from the negative effects of agro-industrial food production are neither considered by all producers nor fully taken into account by agri-food markets. The current paradigm has therefore led to the concentration of capital and stimulation of industrialised production in areas seen to have a greater competitive advantage, and rural depopulation and land abandonment in areas deemed to be uncompetitive. Moreover, there is often an insufficient economic motivation for farmers to provide public goods, demonstrating the failure of the market to adequately value public goods. Consequently, the negative impacts of industrialised food production, for the health of farmers, citizens and our environment, are largely paid for by society using more taxpayers’ money. This demonstrates the need for an agricultural policy that incentivises and rewards the provision of public goods which benefit both farmers and citizens. Agroecological practices applied at farm level can therefore be a key lever for transitioning towards more sustainable food systems.

Prioritising public money for farm system approaches enables farmers to make sound decisions on all aspects of sustainability for their entire farm enterprise and at the same time meet societal expectations.<sup>13</sup> As a result:

- Farmers can better recognise both private and public goods as part of their overall farm system and be incentivised to integrate them into their farm management
- Societal demands<sup>14</sup> can be reached by policymakers through the implementation of a multi-targeted policy approach that delivers a wide range of environmental and social benefits.

In practice, public money for public goods means policymakers giving a “political” value to all public goods delivered within the entire farm system. We can already learn from a growing number of agri-food stakeholder-led initiatives where sustainability indicators and payment models taking a farm system approach have been developed and piloted in Europe.<sup>15</sup>

## 1.1 Public money for public goods based on sustainable agricultural land management by farmers

We define public goods as the environmental and socio-economic services of a farming system that can be 'consumed' freely by citizens without reducing the availability for the rest of society. For illustrative purposes this includes:

### Environmental Aspects

- **Good water and air quality** – reducing stocking rates, managing manure and only using substances that have a limited impact on the agroecosystem
- **High on-farm biodiversity** – conserving a high level of biological diversity to support a proper functioning agroecosystem and ecosystem services
- **Long-term stable soils** – building and managing soil fertility and soil biological activity, whilst maximising the recycling of nutrients and organic matter
- **Climate change mitigation and adaptation** – contributing to carbon sequestration, reducing energy use, optimised crop rotation and agroforestry

### Socio-economic aspects

- **Agricultural Systems Diversity**– preserving and developing farm genetic resources through the use of a diverse range of crop varieties and animal species
- **High animal welfare** - providing farm animals with diets and living conditions which reflect their ecological role and allow them to express their natural behaviours
- **Aesthetic and resilient landscapes** - ensuring the protection, enhancement and public accessibility to culturally and biologically diverse landscapes and features
- **Social capital** – contributing to employment and the rural economy and interacting with the local community

Our concept of public goods as the environmental and socio-economic services implies the inter-relationship of such ecosystem services with social and ecological processes. Full consideration of the multiples "values" of such services is critical in order to prevent the commodification of the delivery of public goods.<sup>16</sup>

## 3. Obstacles CAP must overcome to fully support the delivery of public goods

Agriculture in Europe is largely dictated by EU policy developments, often determined by the outcomes of ongoing negotiations on international trade. Although the CAP has begun to move slowly in a more sustainable direction over the last two decades, through the introduction of specific reform objectives,<sup>17</sup> it remains primarily orientated towards the international trade agenda. As a result, the CAP is unable to effectively support farmers producing both public and private goods because of:

- a disproportionate emphasis on international price competitiveness focused on low-cost commodity production (largely untargeted under Pillar 1)
- public goods payments primarily based on single practices rather than on targeted farm system approach (with only partial targeting under Pillar 1 and 2)
- payments calculated in terms of income forgone and costs incurred, not on the value of public goods delivered (due to WTO 'green box' restrictions under Pillar 1 and 2)<sup>18</sup>
- greater preference from Member States to opt for 100% EU financed measures under Pillar 1 (due to co-financing requirements under Pillar 2).

The inability of the current CAP architecture to implement a fully integrated approach that delivers public money for public goods demonstrates the need to re-orientate EU agricultural spending towards confronting the underlying sustainability challenges facing the agri-food sector.

## 1.2 A CAP that works for both farmers and society

Our vision for the CAP seeks to place sustainable development at the heart of agricultural policy by bringing together both urban and rural communities to create a new deal between farmers and citizens.

**Farmers:** Public money should incentivise and reward farmers that actively contribute to public goods delivery as part of their overall farm system. This reflects the fact that public goods (e.g. stable and fertile soils and clean air and water) are intrinsically linked to sustainable food production, and good environmental and socio-economic outcomes for all. The delivery of public goods depends on the farm system and the different management decisions made, with some farms inevitably producing more and others less. Farm payments based on overall public goods performance therefore seek to create a public policy framework in which farmers as they produce private goods for the market can make good decisions on their overall sustainability.

**Society:** The growing environmental and socio-economic challenges confronting the long-term sustainability of our food production and the viability of rural areas demonstrate that society relies more and more on the ability of farmers to manage the rural environment and contribute to good socio-economic outcomes. CAP should be seen more as an instrument to enable farmers producing high quality food, whilst supporting the supply of public goods not accounted for by current markets. Farm payments based on overall public goods performance therefore seek to prioritise the EU's common tax expenditure into a voluntary public goods payment instrument, beyond compulsory legal requirements<sup>19</sup> that rewards maximum public money for maximum public goods delivered.

Farmers are therefore incentivised and rewarded for the public goods they supply in line with the demands of society

## 4. Long-term Vision for putting the public good principle into practice within the CAP

Forthcoming CAP reforms need to set in motion a new deal between farmers and citizens that strengthens the environmental and socio-economic performance of the European agri-food sector. To this end, successive reforms would move the CAP to a new model of farm payments based on agroecological outcomes (see figure 1). Our long-term vision for the CAP therefore envisages:

- A single pillar framework with one budget that incentivises and rewards farmers delivering a range of public goods at farm level (100% EU financed)
- Complementary supporting measures covering issues related to farm advice and extension services, supply chain development, infrastructural investments, innovation, organic farming payments, and promotional activities etc. (nationally co-financed)<sup>20</sup>
- Provision of public goods and services representing 80% of the overall CAP budget, with supporting measures accounting the remaining 20% by 2034.

Mainstreaming public money for public goods in the entire CAP architecture requires policymakers to make fundamental changes to re-orientate CAP spending towards a single pillar. This single pillar approach is therefore based on flagship payment model that incentivises and rewards environmental and socio-economic services delivered at farm level, complimented by supporting measures (see figure 2). With Member States facing differing budgetary starting points, successive actions over the next 3 CAP reform cycles from 2021 to 2034 are needed:

- 2021:** Immediate transfer of 50% of the existing Pillar 1 budget and 10% of the existing Pillar 2 budget to a new single budget for supporting public goods delivery 100% EU financed<sup>21</sup>
- 2021-2034:** Setting of mandatory budgetary milestones at EU level for the transferring of the remaining CAP budget to the new single Pillar system
- 2034:** Final implementation of the one pillar payment system with 80% of agricultural spending dedicated to public goods delivery and 20% for supporting measures.

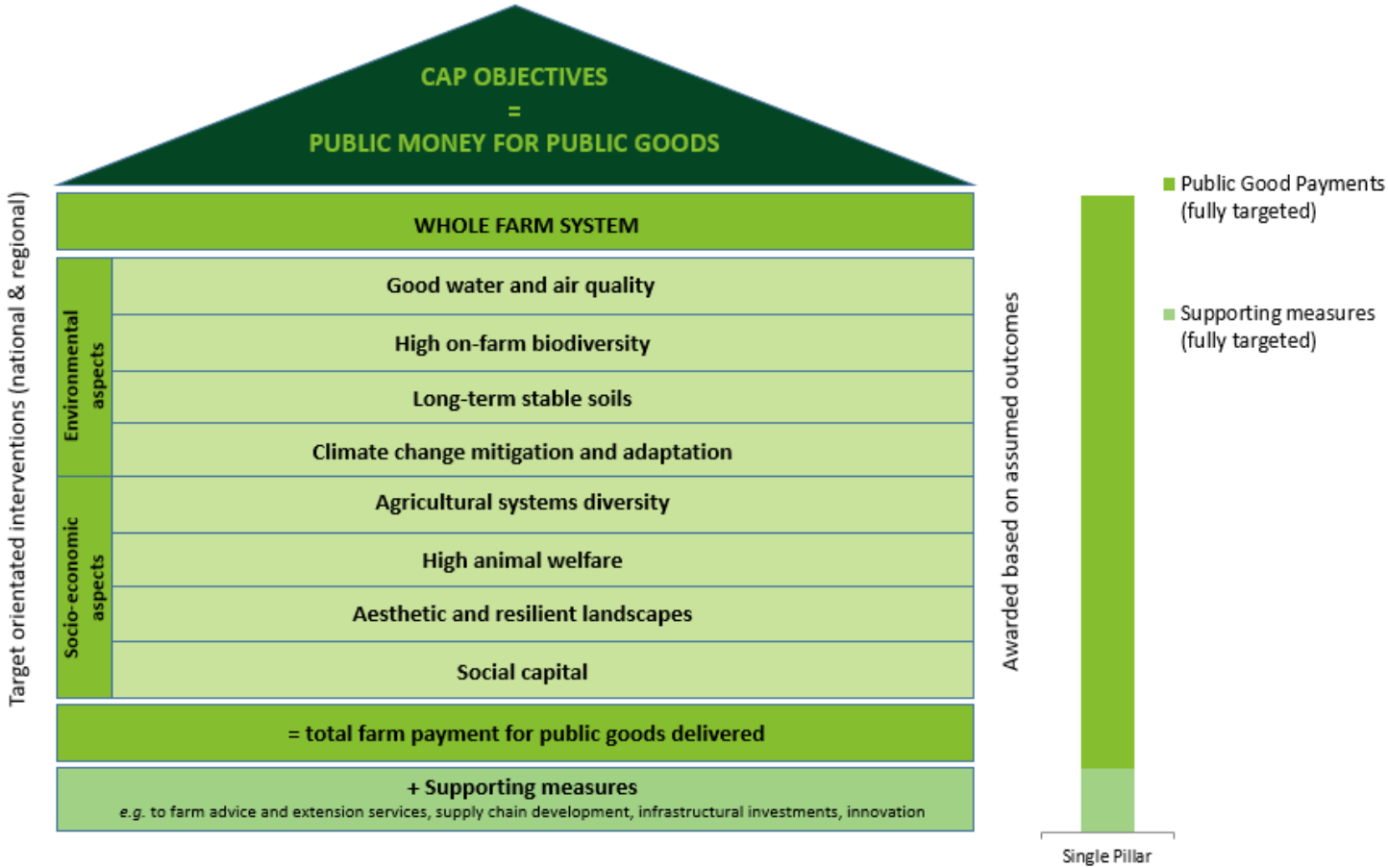
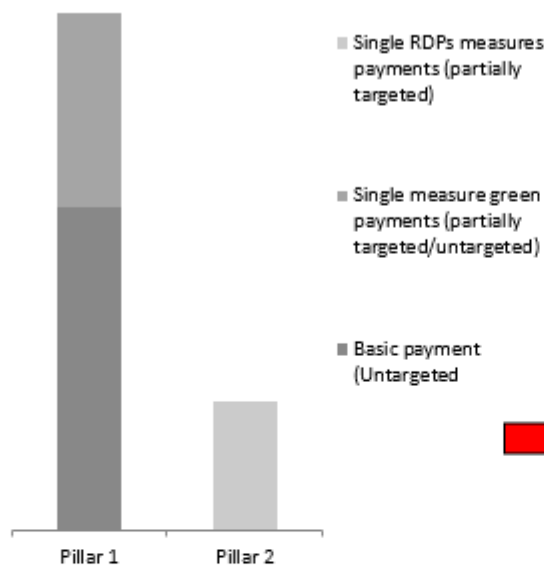


Figure 1: New payment model for implementing the principle of public money for public goods

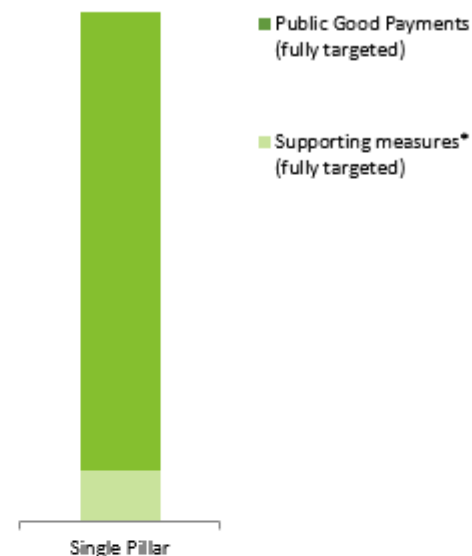
### Current CAP Spending

- 2 pillars, 2 budgets
- Value of Public goods not taken into account
- Majority of spending untargeted
- Overall performance of entire farm not considered



### New CAP spending

- 1 pillar, 1 budget
- Value of Public goods mainstreamed
- Targeted at reaching EU environment & climate outcomes
- Overall public good performance of entire farm considered



\*e.g. farm advice and extension services, supply chain development, innovation, organic payments, and promotional activities

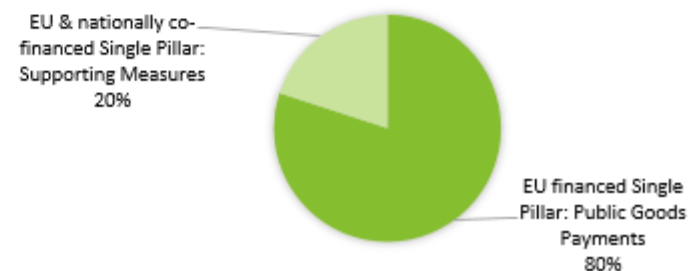
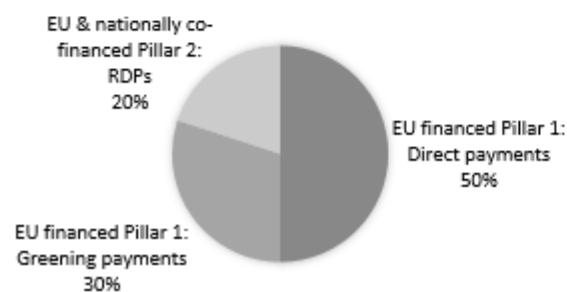


Figure 2: Moving beyond the status quo towards EU agricultural spending based on public



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- <sup>1</sup> Stolze, M. et al., (2016): Organic farming and the prospects for stimulating public goods under the CAP 2014-2020. IFOAM EU, Brussels. Available at: [www.ifoam-eu.org/sites/default/files/ifoameu\\_study\\_organic\\_farming\\_cap\\_2014\\_2020\\_final.pdf](http://www.ifoam-eu.org/sites/default/files/ifoameu_study_organic_farming_cap_2014_2020_final.pdf)
- <sup>2</sup> IPES-Food., (2016): From uniformity to diversity: a paradigm shift from industrial agriculture to diversified agroecological systems. International Panel of Experts on Sustainable Food systems. Available at: [www.ipes-food.org/images/Reports/UniformityToDiversity\\_FullReport.pdf](http://www.ipes-food.org/images/Reports/UniformityToDiversity_FullReport.pdf); IAASTD., (2009): Agriculture at a Crossroads: Synthesis Report. International Assessment of Agricultural Knowledge, Science and Technology for Development. Available at: [www.unep.org/dewa/agassessment/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads\\_Synthesis%20Report%20\(English\).pdf](http://www.unep.org/dewa/agassessment/reports/IAASTD/EN/Agriculture%20at%20a%20Crossroads_Synthesis%20Report%20(English).pdf)
- <sup>3</sup> Eurostat., (2015): Farm structure survey 2013. Eurostat newsrelease 206/2015. Available at: [ec.europa.eu/eurostat/documents/2995521/7089766/5-26112015-AP-EN.pdf/e18e5577-c2a4-4c70-a8c7-fd758ea7b726](http://ec.europa.eu/eurostat/documents/2995521/7089766/5-26112015-AP-EN.pdf/e18e5577-c2a4-4c70-a8c7-fd758ea7b726)
- <sup>4</sup> FAO, IFAD, WFP, (2015): State of Food Insecurity in the World: Meeting the 2015 international hunger targets: taking stock of uneven progress. Available at: [www.fao.org/3/a-i4646e.pdf](http://www.fao.org/3/a-i4646e.pdf)
- <sup>5</sup> WHO, (2016): Obesity and overweight – Factsheet. World Health Organisation, Media Centre [online]. Available at: [www.who.int/mediacentre/factsheets/fs311/en/](http://www.who.int/mediacentre/factsheets/fs311/en/).
- <sup>6</sup> European Commission., (2007): White Paper on A Strategy for Europe on Nutrition, Overweight and Obesity related health issues. COM(2007) 279 final. Available at: [ec.europa.eu/health/archive/ph\\_determinants/life\\_style/nutrition/documents/nutrition\\_wp\\_en.pdf](http://ec.europa.eu/health/archive/ph_determinants/life_style/nutrition/documents/nutrition_wp_en.pdf)
- <sup>7</sup> Steffen, W., et al., (2015): Planetary boundaries: Guiding human development on a changing planet
- <sup>8</sup> FAO (2004): Building on Gender, Agrobiodiversity and Local Knowledge
- <sup>9</sup> Sutton, M., et al. eds. (2011): European Nitrogen Assessment: Sources, Effects and Policy Perspectives. Available at: [www.nine-esf.org/ENA-Book](http://www.nine-esf.org/ENA-Book)
- <sup>10</sup> IFOAM EU. (2015): Transforming Food and Farming: An Organic Vision for Europe in 2030
- <sup>11</sup> Falkenberg (2016): Sustainability Now! A European Vision for Sustainability. EPSC Strategic Notes. Issue 18. Available at: [ec.europa.eu/epsc/sites/epsc/files/strategic\\_note\\_issue\\_18.pdf](http://ec.europa.eu/epsc/sites/epsc/files/strategic_note_issue_18.pdf)
- <sup>12</sup> e.g. EU organic retail market valued 24 billion euro in 2014, see Willer et al. Growth Trends in European Organic Food and Farming. In: Meredith and Willer eds. (2016): Organic in Europe: Prospects and Developments
- <sup>13</sup> Although less targeted in terms of single outputs, but multi-target policy instruments offer more potential to mainstream agricultural sustainability see Schader, C., Lampkin, N., Muller, A., and Stolze, M., (2014): The role of multi-target policy instruments in agri-environmental policy mixes.
- <sup>14</sup> This includes for example the preservation and rehabilitation of biological diversity in agrarian landscape (EU Biodiversity Strategy, 2011), improvement of quality and reaching a good state of ground and surface water (EU Water Framework Directive, 2000), the preservation and improvement of air quality (EU Directive for air quality, 2008), and a 30% reduction of GHG emissions by 2030 for non-ETS sectors - agriculture, transport, building (EU Climate and Energy Package)
- <sup>15</sup> Organic farming represents one of the pioneering system approaches to public goods delivery implemented across the EU-28. Some countries are also integrating farm system approaches into their agricultural and rural policy e.g. Proof of ecological performance (Switzerland) and systemic agri-environment-climate schemes (France). For sustainability indicators see Sustainability Monitoring and Assessment RouTine (SMART). Available at: [www.fibl.org/en/themes/smart-en.html](http://www.fibl.org/en/themes/smart-en.html); Indicateurs de Durabilité des Exploitations Agricoles or Farm Sustainability Indicators (IDEA) method. Available at: [www.idea.chlorofil.fr/?id=108](http://www.idea.chlorofil.fr/?id=108). Examples of pilot projects include Helge Neumann und Uwe Dierking, Biodiversitätswert landwirtschaftlicher Betriebe. 2014. NuL 46 (5), 145-152
- <sup>16</sup> e.g. see Barton et al., (2014): Openness project State-of-the-art report on integrated valuation of ecosystem services see [www.openness-project.eu/sites/default/files/Deliverable%204%201\\_Integrated-Valuation-Of-Ecosystem-Services.pdf](http://www.openness-project.eu/sites/default/files/Deliverable%204%201_Integrated-Valuation-Of-Ecosystem-Services.pdf)
- <sup>17</sup> Under the Treaty of Rome the objectives of the CAP aim to improve agricultural productivity, ensure stable incomes for farmers, stabilise markets, secure availability of supplies and provide consumers with affordable food at reasonable prices. Specific objectives under the CAP reform 2014-2020 include viable food production, sustainable management of natural resources and climate action and balanced territorial development
- <sup>18</sup> WTO rules compatibility: The existing WTO framework must no longer be used as an excuse not to incentivise ambitious public good delivery. As a major global player in the WTO, the EU must be bold in its efforts to transition farming systems towards a more sustainable path by using its power and influence to press for an amendment of the definition of the green box criteria to ensure that the payments which remunerate the delivery of public goods are not considered as market distortion.
- <sup>19</sup> Refers to the legal requirements set out under cross compliance including Good agricultural and environmental conditions and Statutory Management Requirements (related to environment, food safety, animal and plant health and animal welfare).
- <sup>20</sup> To ensure the full uptake of comprehensive packages of measures for public good delivery, some supporting measures will need to be compulsory with higher co-financing opportunities
- <sup>21</sup> The total transfer should include the 30% greening component plus an additional top-up corresponding to 50% of the Pillar 1 and the 30% minimum spending for environment and climate action plus an additional top-up corresponding to 10% of the Pillar 2.