

Towards a new Common Agricultural Policy

Notes from Dutch debates

For the public consultation about the Common Agricultural Policy (CAP) the Dutch *Netwerk Platteland* has held discussions with representatives from a large number of public organisations about a new course for the CAP.

A discussion paper provided the basis for these discussions. This paper describes a line of thought that proved to be very suitable for an open discussion about the objectives and instruments for the CAP: “Imagine that there would be no more income support from the CAP”. The first question that this elicits is whether or not this is responsible in view of food security in the Netherlands, Europe or the world. Next came the question as to what would happen to agriculture at such a moment. Would farmers stop? Would farms become bigger or smaller? What developments would then take place in rural areas? What would this mean for the countryside? If developments would take place, so the argument continued, what developments would society consider to be desirable and would the market provide a solution for this? If not, would the government have to intervene by means of incentive measures or fiscal measures or would it have to resort to a form of income support? In other words, for what public goods would the government have to draw up policy so that these could be realised? And if the government were to pay farmers for the provision of public goods then how could that be arranged in the simplest manner? Simple rules result in little bureaucracy yet might lead to dishonesty as well. The simplest approach is to pay out reimbursements individually, yet sometimes for intrinsic reasons it is wiser to make the payments collectively. Should this be allowed? And finally, of course, there is the question as to whether the current budgets are sufficient or whether these should be bigger or smaller in any new system.

This paper was discussed on two evenings and the report about this is provided in the document below. On both evenings people directly involved with the theme were specifically invited. On the first evening, there were 13 participants representing the government, agriculture, leader groups, nature conservation and environmental organisations and advisers. On the second evening agriculture had a slightly stronger presence. In addition to this a municipality, a drinking water company and the research sector were represented. Four reactions were also received via an Internet forum on which people could respond to the discussion paper.

The following notes are not a literal report of the meetings and the Internet responses but rather an attempt to indicate the direction that the public debate is taking in the Netherlands, where clear differences of opinion exist, and where the Netherlands believes that the future of the CAP lies.

Food security

A first important point is that not everybody agrees with the proposition that food security is also guaranteed without income support. This difference of opinion can largely be attributed to a different appraisal of what the market can deal with if the EU no longer provides income support. However, a large proportion of people share the concern that there will be considerable fluctuations in the prices of food products and temporary overproduction or

underproduction. Furthermore, the fact that we in the Netherlands will become even more dependent for our food on imports from other parts of the world, and that there will therefore be greater uncertainty about the security of food, is a widely shared concern. That could be an argument for supporting our own European agriculture by means of government policy. *This answers question 1 that Ciolos posed in his invitation for a public debate about the CAP.*

A Europe without income support

The public organisations believe that the consequences of abolishing income support can partly be offset by the market. For example, market forces would lead to larger scale farms and probably lower land prices. On the other hand, by means of national legislation, for example via market protection or interventions, the government could still ensure a situation in which European farmers can produce for a regional market. The policy would renationalise, as regional markets would become increasingly more important and the focus on the world market would decrease. Market forces would also give rise to a shift in the production areas within Europe but that would not necessarily have to be a problem.

The Dutch countryside will not degenerate that quickly, is the widely held opinion, because the Netherlands is so densely populated that alternatives to agriculture can always be deployed in rural areas. However, everybody realises that this is a specifically Dutch situation. A different use of the countryside will of course have social consequences for the individual farmers: they will have to stop farming or will have to cooperate with such large companies that they no longer feel like real farmers.

Independent of the question as to the potential consequences of abolishing income support, for many people merely thinking about such an abolition is already a step too far. The agricultural sector is, logically, very attached to the support and is therefore of the opinion that it is also necessary for the farmer. However, the discussion remains as to whether agriculture serves a public function and should therefore receive financial support in view of its value to society. In contrast to this, the conservation and environmental movement clearly sees an opportunity in the current discussion about agricultural policy for raising more awareness for wildlife and the environment. In the Netherlands, and the same is probably true for other Member States, it is difficult for parties to see beyond their own interests and to let go of historically acquired rights. *By asking what would go wrong if there were no more income support, we have tried to answer question 1 of Ciolos where he asks why society wants a European agricultural policy.*

Paying for public goods

Which public goods should the government pay for? As few as possible, is the opinion of most people, as the market should do it first. If there is a market for recreation, for care, or for wildlife, then these can take care of themselves. And if there are regional funds, the government does not necessarily need to have an instrument as well. Yet if public goods are not automatically expressed in the price of products or an attractive landscape, for example, then government intervention is necessary. The exact form of this differs between participants in the debate from a fixed basic payment per hectare for each European land owner (provision of landscape) to a refined system of narrowly defined, regionally differentiated public goods (wildlife, environment, animal welfare, tourism, and farm education). Also the question as to who determines the values (governments, area committees, farmers, recreationists) is too complex to reach a consensus at this point. However, a widely supported idea is the option of

predominantly paying farmers for good(s) and not only paying on the basis of lost income. The latter does not stimulate farmers to work on the creation of public goods. The next phase of rural policy will have to play a challenging role with respect to optimising this regional organisation and the funding of values. Even if this does not yet provide a ready-made answer to the question of Ciolos̄ about which instruments are necessary in a reformed agricultural policy, the conversations have at least provided some pointers in this direction.

However, it is broadly agreed that European support should not only be aimed at individual end users but that it should also be possible for collectives of land owners to be regarded as producers of public goods. This could provide considerable added value. Although it might not be entirely a public good in the strictest sense of the word, it is widely felt that efforts should be made to stimulate innovation in the agricultural sector and rural development. *This discussion is an answer to question 2 of Ciolos̄ concerning the public goods that agriculture can provide.*

European or national

This discussion is an initial effort to answer question 3 about why we ought to be reforming the CAP. In view of the drastic changes to the aims of the CAP, the question naturally arises as to whether a certain policy measure should be initiated at a national or international level. In general, the preference is to place responsibility for policy with as low an authority as possible. However, for a number of issues, European policy is indeed necessary. If we wish to guarantee a resilient and more regional food security, have health rules for food and enjoy an accessible countryside then European policy will be necessary for this. Interestingly, European policy is considered to be more secure than national policy and therefore the longer term certainties such as food security should be arranged at a European level. European policy is experienced as being more cumbersome and slower than national policy but it is therefore considered to be more reliable. Exactly which public goods should receive government support would therefore seem to be more of an issue for a national or even a regional government.

Integral or sectoral

Rural policy is currently still part of the CAP. The question is whether this should continue to be the case. For some people, rural policy is inextricably linked to agriculture. From this perspective, the policy has been too wide ranging in the Netherlands in recent years, as a result of which other issues have also been financed that have not benefited agriculture. Others believe that agriculture in rural areas is no longer the principal factor and that other objectives must also benefit from rural policy. A far-reaching elaboration of this idea is to use the Leader approach (public-private structure in which local initiative takers put forward their own development plan) - that would need to be strongly simplified - as a tool for channelling CAP funds and structural funds to deliver specific solutions at a regional level. Although strictly speaking this subject was not a discussion question for Ciolos̄, the participants in the discussion think that a reform of the CAP could well mean a realignment of agricultural policy and structural policy and a possible separation of agricultural policy and rural policy.