



FRANCE STRATÉGIE

ÉVALUER. ANTICIPER. DÉBATTRE. PROPOSER.

Making the Common Agricultural Policy a lever for the agro-ecological transition

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Foreword

« The proposals presented by France Stratégie do not reflect the official position of the French government.

They constitute a basis for reflection aimed at **fueling debates and nurturing public action** at national and European level.

Their overall consistency does not preclude considering a **progressive implementation of the proposed tools** depending on the importance of the technical and regulatory changes to be made. »



A structuring but complex policy

- Since 1962, the common agricultural policy (CAP) has **enabled Europe to increase its agricultural production**, to ensure its relative food self-sufficiency, and to improve its agri-food trade balance by increasing the value of exports of processed products.
- But the CAP has gradually become **more complicated and its objectives have become difficult to understand** for citizens.



Yet, the CAP has come under criticism

- **An imperfect greening of the current CAP**, with a set of instruments (green payment, agri-environmental and climate measures, conditionality) which present limited environmental effects (ECA, 2018).
- Payments are **not commensurate with the environmental services and public goods provided.**
- **Complexity of implementation** and high administrative costs.



The main principles of a new agro-ecological CAP

- **Pay for environmental benefits** commensurate with their benefits for society
- In return: **tax nuisance** (polluter pays principle) with total reallocation to the agricultural sector
- **Promote the diversification** of crops and the extensification of livestock farming, which are beneficial for the environment and for the resilience of farms
- **Support agricultural employment**



Generic tools, based on current information systems

- Bonus-malus remunerating the **maintenance of permanent grasslands**
- Bonus-malus remunerating the **diversity of crops and areas of ecological interest**
- Tax on **pesticides and nitrogen fertilization**
- Tax on **greenhouse gas emission**
- Use of these taxes to **pay for long-term agro-ecological contracts**



Interests:

- 1) **incite rather than coerce or prohibit**
- 2) **reduce transaction costs**



Targeted tools for groups of farms

- **Bonus for Natura 2000 areas and areas of high natural value:** based on quantified commitments in terms of areas and on environmental impact indicators (abundance of species)
- **Long-term contracts for agro-ecological innovation:**
 - guidelines would be developed collectively across the relevant territories
 - integrate the objectives of the European Innovation Partnership (EIP-AGRI)



A more resilient CAP: control of price and production risks

- **Diversification of the farm's production:** multiplication of sources of income
- **At EU level:** mobilization of crisis reserves, penalties for overproduction, bonuses for voluntary production reduction...
- **At the national level:** sharing of financial risks throughout the sector via mutual funds...



A CAP that supports agricultural income

- The envelope **currently allocated to the first pillar (basic payment and the green payment) would make it possible to pay aid to agricultural income**: maintaining the current budget of each MS as a starting point and then long-term convergence
- With a total amount of 5.7 billion euros in 2018 and 711,000 full-time equivalent workers in 2016, **we can envisage an annual aid of around 8,000 € per FTE in France**
- **Long-term reform** involving a Council decision and consensus



A CAP that contributes to a sustainable food supply

- The qualities (nutritional, health, environmental, organoleptic) of the food supply do not depend only on primary production
- **Incentives to reduce the use of pesticides and antibiotics**
- **Support for the fruit and vegetable sectors**, whose productions are nutritionally interesting, via agricultural income aid



Budgetary framework: a long-term target scenario

- The implementation of these instruments, therefore, implies **a reorganisation of the CAP budget**. From the data observed in 2018, and with the CAP budget unchanged, it is possible to estimate the structure of this new CAP, according to a long-term "target scenario".
- This scenario is not intended to provide a "turnkey solution," but rather **to offer a coherent framework for operational decision-making support** at European and/or national level.



Budgetary framework: a long-term target scenario

- The central assumption of the target scenario is **that the amount of taxes collected covers the amount of bonuses distributed**, without requiring a budget increase.
- The bonus for crop diversification estimated at €2.4 billion could be financed by **a gradual increase in the tax on fertilisers, as well as pesticides**, from a rate of 20% of the price, and the tax on antibiotics from a rate of 15%. **These rates correspond to the minimum thresholds necessary to bring about a change in practice.**
- The advantage of progressive taxes is **the benefit in time to monitor the impact of environmental indicators**, and to allow farmers to adapt their practices.



CURRENT CAP

1ST PILLAR

Basic payment entitlements
+ Green payment

5.7
Billion €.

2ND PILLAR

Other CAP support

1.7
Billion €.

TAXES



Pesticides



Antibiotics



Fertilizers



Livestock

3.9
Billion €.

AGRO-ECOLOGICAL PAC

AGRICULTURAL EMPLOYMENT PILLAR

- Basic payment per 'annual work unit'

PILLAR "TRANSITION TO AGRO-ECOLOGY"

- Bonus Surfaces of Ecological Interest (EIS)
- Permanent Prairie Bonus
- Diversification bonus
- Natura 2000 Bonus
- Bonus Agricultural areas with high natural value
- Long-term contracts for ecological innovation

A new architecture for the CAP

Estimated overall amounts
in billions of euros



What are the effects on the distribution of aid?

Principales caractéristiques des exploitations-types	Sans changement de pratiques		Avec changement de pratiques	
	Montant perçu (€/an)	Coût ou bénéfice par rapport à la PAC actuelle (€/an)	Montant perçu (€/an)	Coût ou bénéfice par rapport à la PAC actuelle (€/an)
Grandes cultures, 130 ha, 1 UTA, forte diversification (IS = 2,35)	30 181	+1 456	34 490	+ 5 765
Grandes cultures, 300 ha, 2 UTA, faible diversification (IS = 2)	60 905	- 808	68 623	+ 6 910
Élevage herbager spécialisé en lait, 113 ha, 2 UTA, 100 ha de PP	46 635	+14 153	47 307	+ 14 825
Polyculture-élevage laitier, 190 ha, 2,5 UTA, 56ha de PP, faible diversification (IS = 1,9)	50 668	- 5 822	54 269	- 2 221



What are the effects on the distribution of aid?

- This simulation shows that **the bonus for crop diversification would be a benefit to organic and polyculture-livestock farms that are already diversified.**
- The **bonus-malus for permanent grasslands, Natura 2000 areas and areas of high natural value, would benefit extensive livestock farming.**
- Taxes on pesticides and fertilizers would primarily benefit agro-ecological and organic farms, while **taxes on greenhouse gas emissions would impact conventional crops and intensive livestock farming.**



What are the effects on the distribution of aid?

- In detail, the model demonstrates that in field crops all organic or highly diversified systems would benefit. In livestock farming, this would include mountain dairy cattle farming. Yet from the perspective of an "agro-ecological CAP", **conventional arable crops would have to modify their practices to maintain the same level of support.**
- The simulation shows that to avoid losing subsidies compared with the current situation, **the three typical cases of arable crops with "low or medium agronomic potential" would have to reduce their use of fertilizers and plant protection products by 20%.**



A new CAP meeting the expectations of farmers and society, redesigned on the basis of the main principles of the public economy

CAP revamped around **two main types of instruments:**

- **horizontal measures that may concern all farms,** remunerating environmental services and agricultural employment
- **measures targeted at certain voluntary farms** financing innovation and ecological continuity

