

THE CAP, ITS CHALLENGES AND THE ROLE OF RESEARCH AND INNOVATION

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Every day EU citizens select their food from the widest and safest set of food choices possible. It was not always like this; and yet as never before such *abundant and secure food* is criticised for its impact on health...

Every day, a vast territory of European Union's landmass contributes to the production of its food and feed, and less to its fuel and fibre; yet never before has the complex relationship between *agriculture and the environment* been so hotly debated in terms of the balance between its negative and positive externalities on air, water, soil and biodiversity...

Every day, a small and constantly shrinking primary sector, supplied upstream by inputs and supplying downstream its output, is more integrated as part of a *global food chain system and bio-economy*. Its growing sophistication is globally recognised, placing it in many areas at the *technological frontier* of food trade or environmentally savvy precision farming. Yet, while benefits are both widespread and measurable in terms of growth and jobs in the overall economy and in trade, so is criticism about the perceived and real bottlenecks in the food system and the *uneven distribution of its benefits*...

Underlying these achievements and shortcomings is the Common Agricultural Policy (CAP), a policy deeply embedded in the history of European integration which has undergone a significant reform process since the mid-1990s. In its long path of reform since the early 1990s, the CAP gradually but steadily widened its scope, refocused its objectives, stabilised its costs, and impressively reduced its trade distorting impact, all achieved within a clear budgetary constraint.

The move away from supporting products into supporting producers led to an undisputed economic outcome – the significant improvement in the **competitiveness** of the EU's agro-food complex. The EU is today the world's largest agro-food exporter and importer, adding value and jobs in both ways of the **trade** highway, and generating an ever increasing agro-food trade balance through the increasing recognition of the diversity, safety and quality of EU food products.

And while the past decade was characterised by a commodity price rollercoaster, putting at risk farm income worldwide, EU **farm income** withstood these pressures in relative better terms than in other parts of the developed world. This was not an accident but the result of the choice of a set of farm policy tools mainly based on an income safety net widely spread across the EU territory.

However, while this path was the result of a success in policy design, it responded to a different set of challenges than that EU agriculture is facing today. Furthermore, this **economic and social success** story did not come without costs. The **environmental performance** of EU agriculture remains **mixed**. Measurable positive impacts from lower input use and lower emissions still lag behind what is desired, especially with respect to what will be needed in the future.

The contribution of rural areas to **productivity** gains and the consequent transformation of EU's agriculture often rely too much on the outflow of labour from agriculture, and less on innovation or the renewal of both human and physical capital. And the support of the sector with a system whose complexity increased in recent years raised strong doubts about the rational of its **distribution**, or even its justification.

Assessing its future role, the CAP debate needs a shift from a retrospective towards a prospective debate about the policy's future. This already takes place not in isolation, but in sync with the broader challenges facing the Union, including the fact that while the CAP absorbs less than 1% of total EU public expenditure, it still accounts for 40% of the EU budget. By all economic counts, agriculture's role in the EU economy is small. It directly contributes to roughly **2%** of GDP and **4%** of employment; indirectly this contribution doubles when related sectors are taken into account, but still remains small. Yet when it comes to land, agriculture covers **40%** of EU's territory (with an additional 30% in forests), and when it comes to food, its role covers the needs of **100%** of citizens (and even more, if one measures its net-trade position).

The assessment of the future role of the EU's oldest policy therefore has to be placed into the broad perspective of the type of EU-wide challenges that this policy needs to address in the future. In this process, one would need to draw a clear distinction of the challenges which are clearly EU-wide in nature and need intervention at EU-level, and distinguish them from those best met at national level without undermining the single market or other common EU objectives.

Agriculture in the EU and globally is at a crossroads. Sustainability is a generally recognised target; yet less recognised is the fact that this happens to be a moving target. The significant deterioration of the **agricultural price environment** and of the terms of trade for global agriculture exacerbated the need to better address the growing tensions between economic and environmental aspects of the farming sector.

Short-term economic fixes often ignore the environment as markets do not compensate for environmental costs and do not remunerate for environmental services; long-term environmental solutions could hamper competitiveness if targeted measures do not accompany the **shift towards a knowledge-based agriculture**. **Climate change challenges** in particular, especially those exogenous to agriculture, impact the sector faster than the time needed for research and science needed to provide solutions addressing them. And the public seems split in deciding whether it is worth attempting to jointly address economic and environmental targets, or assume the risk of letting them develop separately.

This dilemma also affects how challenges for **jobs and growth in rural areas** are tackled. This is particularly pertinent in the balance of two opposing processes:

- job losses stemming from an ageing and declining farming population, and
- job gains stemming from knowledge-based services and value-added opportunities along the food chain and in rural areas, which often compensate labour-saving new technologies

The challenges that EU agriculture has to address today exceed anything that it has faced in the past in terms of extent and complexity. Yet at the same time the **opportunities** of meeting these challenges have never been greater.

By **turning** economic, environmental and social **tensions into synergies**, **increasing the better integration of agricultural and other policies the CAP could allow the EU to do better in many fronts, from climate and environment to research, innovation and technology, from bio-economy and the digital economy to trade.**

But this would require that the current CAP framework changes and adapts to meet these challenges and exploit these opportunities, including by promoting synergies of food systems to address challenges requiring an **EU response**.

- First, by **modernising the CAP**, so that it can address future needs with more balanced economic and environmental benefits based on knowledge-based, forward-looking and coherent policy measures.
- Secondly, by **simplifying the CAP**, with a forward look into synergies between policy measures, their declared objectives, and the degree to which these imply greater responsibility and flexibility for Member States or individual farmers.
- Thirdly, by determining the extent to which this "better" can take place with "less" after a thorough and close **assessment of** these choices that reflect and unify common policy elements of a **clear EU added value**.

Experience and evidence reveal areas where such **EU added value** exists. The **single EU market** brings producers and consumers of EU food together in a marketplace unified by a framework of rules and regulations whose aim is the continuous functioning of market signals without distortions, thus underpinning the economic and social objectives of the CAP (although there is clearly scope to shift to MS those measures reflecting clearly national priorities).

The unique nature of **climate and environmental challenges** does not recognise national frontiers - it requires common trans-border policy responses. **Research, innovation and technology applications** provide solutions that are also EU-wide in application and, more importantly, EU-based in invention.

To better exploit synergies and a systemic approach on the whole process of food production, the CAP can increase its level of ambition around sustainability targets through measures where leverage is higher (area based measures) provided that existing market and policy failures are identified, and the various often incoherent layers of policy are better integrated into a more coherent system.

The role of Research and Innovation here is more than crucial – it is essential in spreading existing knowledge on best practices and innovation and targeting the generation of new knowledge around new priorities.

All this does not just require the continuous dialogue between stakeholders and practitioners. Above all, it demands increased efforts to better identify policy dilemmas and communicate the results of new advances in research and innovation, with the clear understanding of course that science is not the provision of absolute truth, but of truth with a "confidence interval", a "margin of error".

With this in mind, our common efforts could aim at:

- The translation of **long-term EU targets** with respect to natural resource management priorities on climate action, soil, air, water, biodiversity into MS and/or regional priorities which, by using the latest set of available scientific information, could contribute into achieving a **redefined balance between EU and MS**, thus better promoting EU added value priorities.
- The expansion of the range of best practices that are regionally pertinent and specific, so that, whatever degree and form of **conditionality of support** to the sector is chosen, they could **increase subsidiarity** and the **wider freedom of farmers to choose** the best practice that increases their delivery of public goods at the farm level.
- The better integration of sustainable practices into the **virtuous cycle of Research-Innovation-Advice** to serve broader policy priorities, especially through **incentives** for the use of innovation and new technologies to simplify the sharing of responsibilities between Commission, MS and farmers. This would allow the **simplification of control** and the shift from annual output measurements to multi-annual more targeted assessment of performance.

Thank you for your attention!