A Financial Reform of the Common Agricultural Policy: effects on economy, agriculture and land use

Torbjörn Jansson, Martha Bakker, Pierre le Mouël, Danielle Schirmann, Hans Verkerk, David Verhoog

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The Common Agricultural Policy

- Founded in 1962 for Belgium, Luxembourg, the Netherlands, Germany, France and Italy
  - Practical aim: synchronize national market intervention policy
  - Underlying aim: support production and farmers’ income
- Guaranteed minimum prices
- Subsidies per cultivated area
- Export subsidies
- Import tariffs
CAP Reforms

- External drivers: Reduce production
  - Past reforms: set-aside, quota, decoupling, shift of budget to rural development

- Internal drivers: Reduce budget
  - Foreseen reforms: Further savings on the 1st pillar CAP
One baseline versus two counterfactual scenarios:

Exogenous trends in world market & population

Baseline: Continuation of currently agreed-upon policy

CAP reform: Abolishment of 1st pillar CAP

Return money via tax-rebate

Invest money in R&D
Sustainability Impact Assessment of multifunctional land use

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Tax rebate or R&D investment

Overall economy

Food prices

CAP reform

Agriculture

Total production

Reduced income and market support

Land use

www.sensor-ip.org
Agricultural income change per hectare (%)

Scenarios:
- Tax Rebate
- R&D investment

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Agricultural prices:

Producer price:

% change rel. baseline

-50 -40 -30 -20 -10 0 10

Cereals
Oilseeds
Other arable field crops
Beef
Pork meat
Poultry meat

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Total production

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Production changes:

- Cereals
- Oilseeds
- Other arable field crops
- Beef
- Pork meat
- Poultry meat

% change rel. baseline

-15 -10 -5 0 5

Tax Rebate  R&D Investment
Land use and land demand

Land supply

Land demand

Land used for agriculture

price
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- transition from arable to grassland
- agricultural abandonment
Conclusions

- Economical benefits from CAP reform, particularly when funds are invested in R&D
- How about the farmers?
- How about the land abandonment?