
The reformed CAP - illusions and reality

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Why ...

- As policy economists we always have been for:
 - reasonable – target oriented reforms
 - development of viable rural economy
 - addressing environmental concerns
- while we always have been against
 - double moral in policy development – one for hearing, other for doing
 - the principle - money flow is over the goals
 - first doing, then thinking and explaining



Illusions ...

- ❑ The declared goals of CAP 2003 reform
 - to promote more market orientation
 - ❑ *reform of intervention system onto safety-net for exceptional situations*
 - ❑ *deal with structural imbalances (milk, wine, rye)*
 - to continue shift from product to producer support
 - ❑ *promote the development of sustainable and environment friendly farming activities*
 - ❑ *single farm payment –*
 - *historical basis*
 - to strengthen rural development
 - ❑ *enhance rural Development Policy instruments to meet new demands*
 - ❑ *shift funds from 1st to 2nd pillar of the CAP*



have gone...

New challenges from the reformed CAP

- Promotion of market orientation
 - sugar is going away,
 - why only
 - milk ? poultry ? grains ?
- Enhancing the competitiveness of agricultural sector and the land price;
 - Higher earnings from non-agriculturally used land – higher land price
 - Higher land price – less mobility
 - Less mobility- constraint for restructuring
 - No restructuring – the burden for the increase of competitiveness



New challenges from the reformed CAP

- Shifting the payments from product to producer
 - Avoiding the support harvesting business
 - why not to recognise the “land in good agricultural condition” as public good
 - why not to set the price of public good and pay for it on common basis – Common Agriculture Policy

Country	EUR/ha UAA
Belgium	380
Denmark	374
Germany	323
Greece	452
France	273
Ireland	307
Italy	232
Luxemburg	289
Netherlands	405
Austria	211
Portugal	147
Finland	245
Sweedeen	231
UK	227
EU-15	254
Latvia	91



New challenges from the reformed CAP

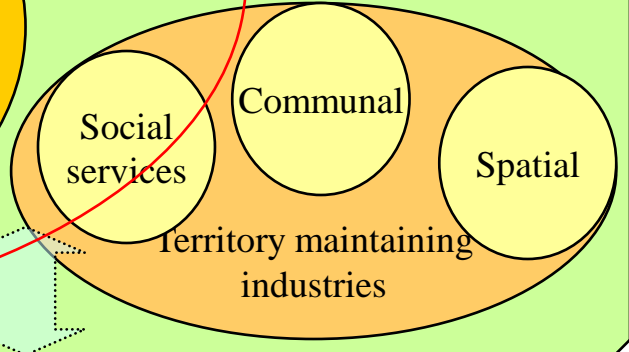
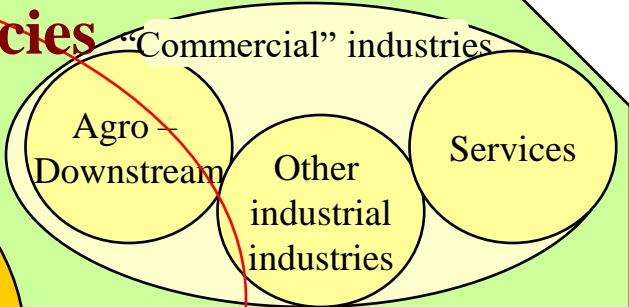
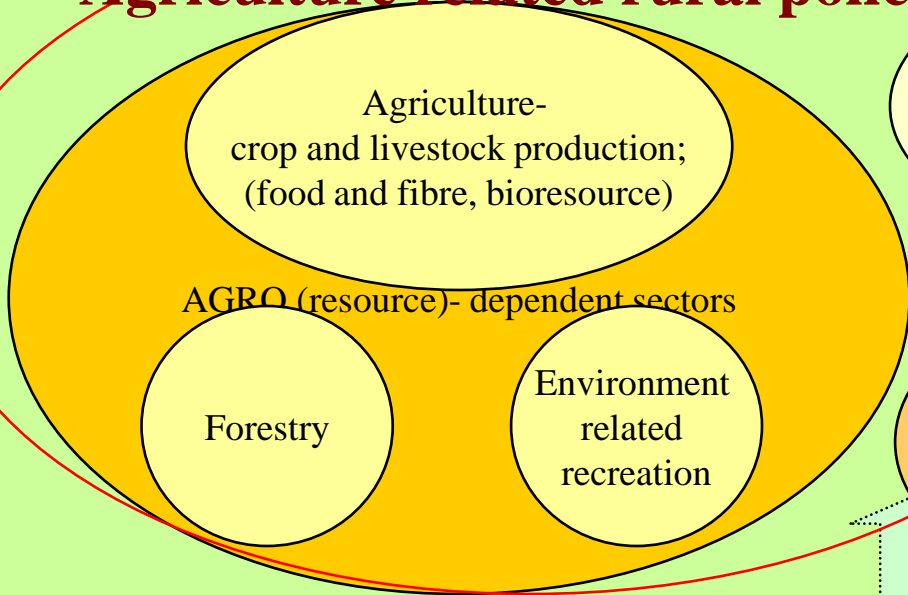
– new RDP vision is urged

- Linkage of decoupled direct payments (DDP) to the RDP measures
 - RDP appropriations in 2004 - ~ EUR9 billion
 - DDP
 - reported in 2006 ~ EUR 16 billion
 - calculated on the basis of declarations ~ EUR 27 billion

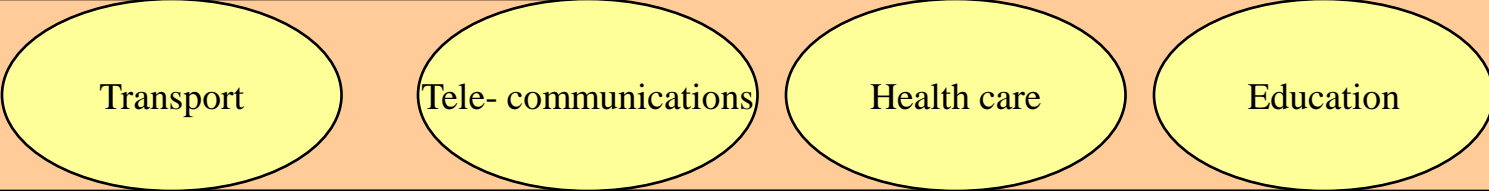


Rural territory –
object of real rural development policy

Agriculture related rural policies



Infrastructure



Prosperous individual in sustainable populated countryside



How to get to the goal?

- CAP reform is needed
 - a real reform -
 - objectives first, measures after
- Recognition of UAA in GAC as public good
 - to be paid on common basis
- Rural development policy should be developed, as:
 - rural territory development policy
 - complex policy
 - linked to agricultural policy
 - reasonably financed policy



Where to get a money for that ?

- EU CAP resources - to be kept for countryside
 - LFA – 2nd pillar of the CAP –
 - ~ EUR 2 billion annually in EU 25
 - Decoupled direct “over”payments – 1st pillar
 - *Agriculture area -- 163 million ha in EU-25*
 - *DDP – EUR 30 billion*



Let's think together

- As economists

