



CAP Reform Post 2013 Forestry's Opportunity or Threat?

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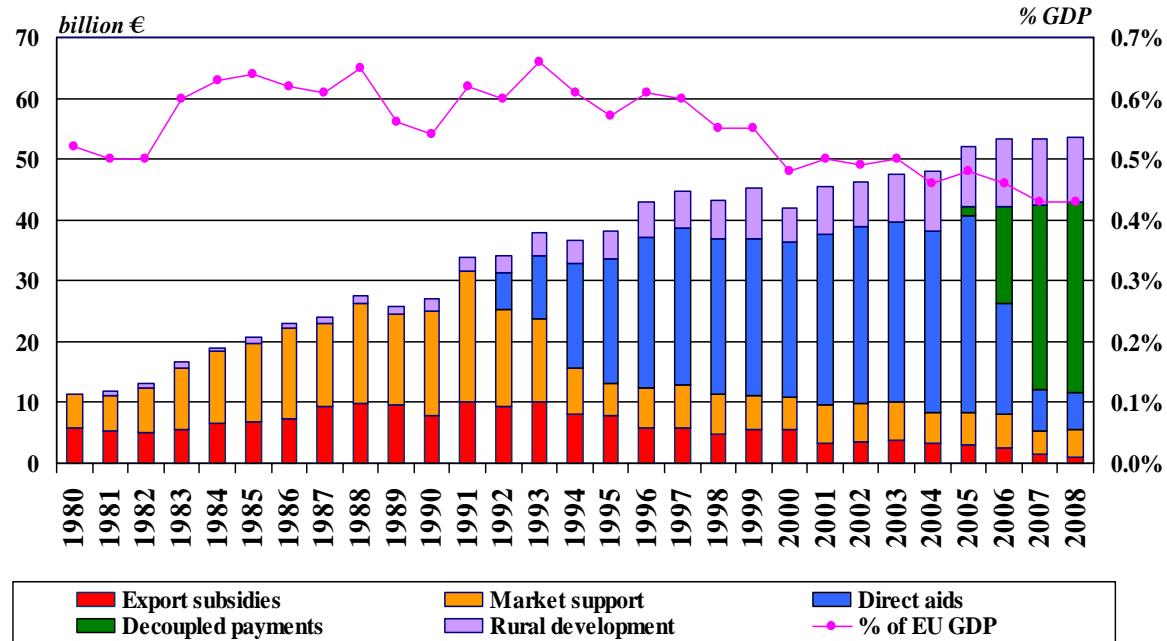
Evolution of CAP measures and spending

....from a price and market support policy.....

....to direct payments designed to support farm incomes.....

....accompanied by the growth of rural development policies..

....and more recently, decoupling of direct support



Source – European Commission



Yet the treaty objectives remain the same

- a. To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour
- b. Thus to ensure a fair standard of living for the agricultural community in particular by increasing the individual earnings of persons engaged in agriculture
- c. To stabilise markets
- d. To ensure availability of supplies
- e. To ensure that supplies reach consumers at reasonable prices

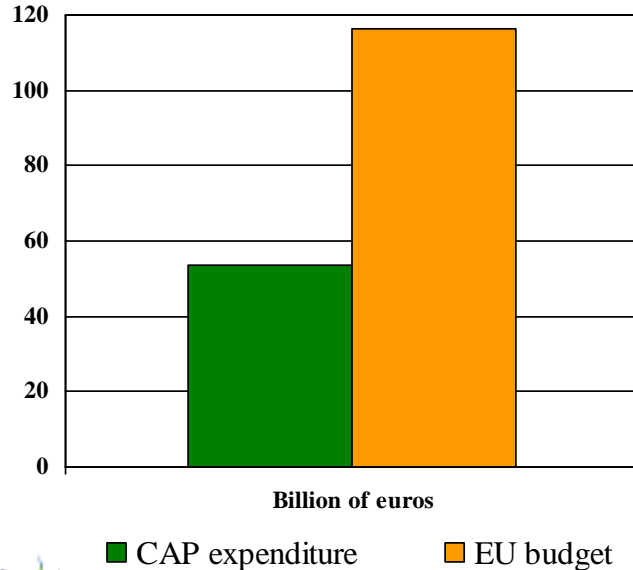
Are they still valid? Yes!!



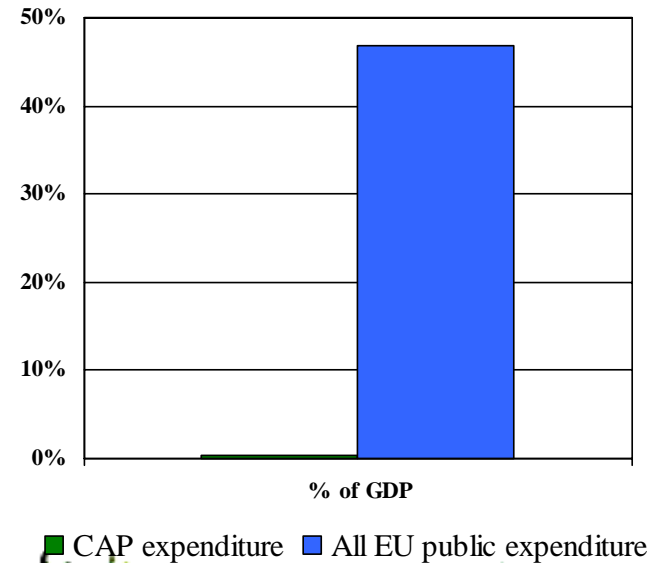
Importance of CAP

- To the budget - €56 billion (over 40%)

*CAP cost in 2008
(in absolute terms)*



*CAP cost in 2008
(in relative terms)*





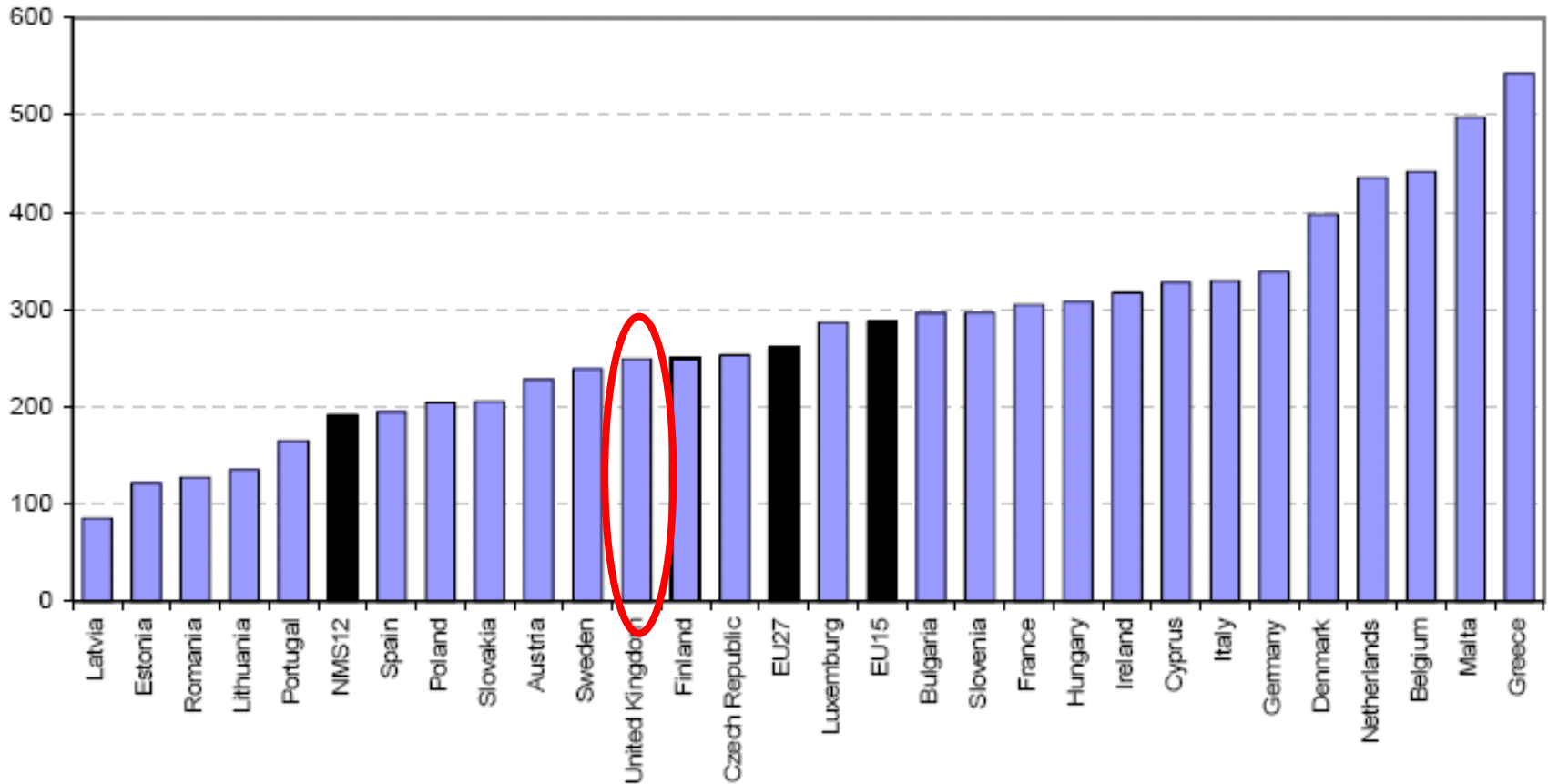
Challenges for future CAP

- EU Budget – size and orientation
- Co-decision and European Parliament
- Rationale for support & competition for resources
- International commitments
- Distribution of support
 - Between countries





Figure 3: Average direct payment per MS (in € per hectare)





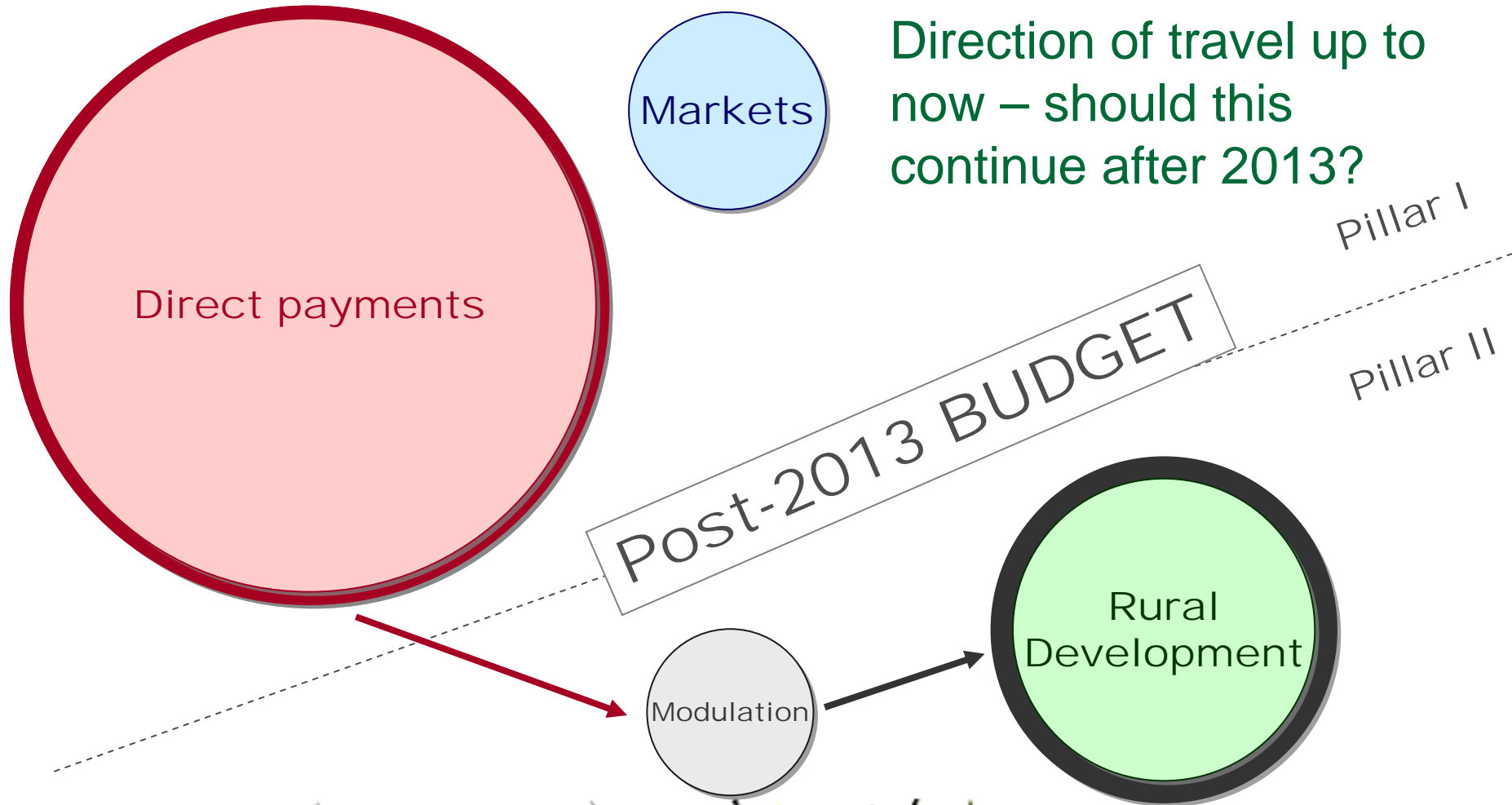
Challenges for future CAP

- EU Budget – size and orientation
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- International commitments
- Distribution of support
 - Between countries
 - Between 1st and 2nd Pillars
 - Between 2nd Pillar measures



Timetable

- 'Consultation' April 2010
- Commission Communication in late 2010
- Legislative proposals 2011
- Decision by the end of 2012?
- Parallel negotiations on 'Financial Perspectives'



Direction of travel up to now – should this continue after 2013?

Pillar I

Pillar II



Reading the tea leaves

Too early to say! However, some initial observations:

- Evolutionary process to continue
- Pressure on CAP budget and historic allocations
- Championing diversity
 - Risks of 'renationalisation'/ co-financing
 - Ciolos' remarks on small/ large farmers
- Direct payments to remain core of CAP:
 - Flat rate/ tiered payments or more equal allocations?
- How to address market volatility – crisis management tools
- Increase in rural development activities – especially climate change



NFU CAP Policy

- The narrative – a common and agricultural policy (not rural/environmental)
- Focus after 2013:
 - Sustain productive capacity
 - Buffer against volatility
 - Create better functioning market
 - Support competitiveness+ productivity
 - Incentives to improve performance



Reframing Pillar 2

- Should focus on agricultural sector rather than be a policy 'dumping ground'
- Sort out funding - modulation must be phased out – move to permanent funding basis. UK needs a fairer allocation from core funding (currently 1.3%)
- Refocus Priorities (w/o Axis 2 and 4):
 - Structural adjustment to market + farm competitiveness
 - Modernisation + innovation
 - Rewarding provision of environmental goods beyond regulatory baseline
 - Adapting to and mitigating climate change



Opportunity or threat for Forestry?

- Opportunity:
 - Narrative of production/land managers
 - Strong public value arguments (esp renewable energy)
 - Under-used forestry measures, especially energy
- Threat:
 - EU's allocation for 2nd pillar scheme
 - UK record of delivery
 - Market pull



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