



6 March 2009

Agriculture and Rural Development: France Announces Changes to Pillar One Support and Presents New Model for Agriculture

Summary: France announced last week that significant changes to Pillar One support, and increased funding for Pillar Two would be introduced from 2010, in its response to the changes required as part of the CAP Health Check agreement of November 2008. At the same time, the Ministry of Agriculture has unveiled a new national strategy for sustainable agriculture entitled ‘Objectif Terres 2020’.

Keywords: Agriculture; CAP

As part of its plans to implement the changes necessitated by the CAP Health Check agreement of November 2008 (see IEEP Overview Note: 26 November 2008), the French Government have announced significant changes to the focus and distribution of 18 per cent of Pillar One direct payments. These changes are planned to come into effect from the 2010 payment year, effectively redistributing a proportion of support away from intensive arable producers towards the livestock sector. The announcement has also set out how the additional funds raised through compulsory modulation will be used within Pillar Two^{1,2}.

In a separate development, the Government has also launched a new national strategy or ‘model’ for sustainable agriculture entitled ‘Objectif Terres 2020’³. The timing and content of these proposals suggest that this is a pre-emptive move by France to legitimise CAP expenditure before the start of the main political debate on the future of the policy post-2013.

Change in focus for Pillar One support

The key focus of the changes to Pillar One support and additional funding for Pillar Two, is to shift a greater proportion of the total budget to grass-based livestock producers in order to balance some of the disparity between the amounts currently received by arable and livestock producers. This will be achieved through a combination of greater decoupling in the arable, suckler cow and sheep sectors, combined with the (re-)introduction of coupled payments for particular sectors under Article 68, the creation of a new grassland aid premium, and through increased expenditure on Pillar 2 measures, such as the LFA measures and the agri-environment grassland premium (PHAE). The key proposals include:

- Full decoupling of the arable aid premium (currently 25 per cent coupled), and of ewe premium and slaughter premium payments, with a reduction in the suckler cow premium from 100 per cent to 75 per cent;
- The allocation of €700m for a new grassland aid payment under Pillar 1, with an eligibility criteria of a maximum stocking density of 0.8 LU/ha for the first 50 hectares, and 0.5 LU/ha thereafter.
- A five per cent reduction to all direct aid payments is to be made under Article 68, and the money raised is to be used to target ‘structurally fragile production’, with the introduction of coupled headage payments for sheep and goats (€135m), a coupled payment on mountain milk production (€45m), alongside funds targeted at the production of protein crops (€40m) and organic production (€50m);
- Article 68 will also be used to finance risk management payments in relation to animal health risks and crop insurance;
- Changes to modulation will raise an extra €202m for Pillar Two measures, bringing the total amount to be redistributed from Pillar One to Pillar Two to €946m between 2009 and 2013. Of this, by far the largest proportion (€584m) will be allocated to the ‘agri-environment grassland premium’ (PHAE), of which €240m is ‘new’ funding under these proposals. In addition, it is proposed that €92m will be directed to the LFA measure, €100m will be used for ‘installation grants’ and €45m to organic production. In addition, a further €125m is to be targeted specifically at the ‘new challenges’^{1,2,4}.

It has been estimated that these changes would mean that over 50 per cent of all producers would receive payments of between €200-350/hectare, with direct payments for sheep producers rising on average by 30 per cent, those for dairy producers by 15 per cent, and those for suckler cow producers by 5 per cent^{2,4,6}.

French Agriculture Minister, Michel Barnier, believes that this will make the policy ‘fairer, more sustainable, more precautionary and more balanced’ and ‘economically, ecologically and territorially legitimate’^{1,6}. This package of measures would appear to be a positive move in terms of redistributing a proportion of direct aid away from the more profitable elements of the agricultural sector towards those in most financial need. Although the rationale behind the measures would seem to be production oriented rather than environmental, the increase in support to grass-based livestock producers, particularly extensive producers, may help to support the continuation of High Nature Value Farming systems. It is unclear at this stage however, to what extent this support will overlap with the grassland premium operated under the Pillar Two agri-environment measure or support under the LFA measure.

While these changes may be viewed as a step in the right direction in the targeting of direct payments, it should not be forgotten that 82 per cent of direct payments will continue to operate on a historic basis. The environmental benefits arising from this redistribution will depend on both eligibility criteria and the standards that underpin them. It is notable that within this package of measures there are no proposals to revise cross-compliance as a result of the changes brought about as a result of the Health Check. Despite the fact that a significant increase in funding is envisaged for the broad brush grassland agri-environment premium and to support farmers in the LFA and that there is an increased focus on the ‘new challenges’ and organic farming, many in the environmental field have warned that this does not go far enough, and

that additional funds will be needed to meet the environmental priorities and challenges facing France.

New strategy for sustainable agriculture

The publication of the French strategy for sustainable agriculture, ‘Objectif Terres 2020’ sets out the key issues and challenges facing agriculture and the environment, and the main means of meeting these challenges. Targets are also set against a series of indicators related to each challenge and solution. The document³ sets out 5 key challenges: water management (quantity and distribution); water quality (achieving good ecological status of water bodies); maintaining biodiversity and landscape; protecting the environmental and productive functions of soils; and meeting the energy and climate challenge.

A range of solutions are proposed for meeting these challenges, including investment in research; promoting a reduction in the overall use of chemical inputs and the use of precision techniques where their use is still required; collective action to make agriculture more sustainable, rebuilding the link between farmers and society; and encouraging greater use of organic farming practices.

Most of the initiatives outlined within the strategy are already being implemented in some shape or form, and so the strategy repackages existing commitments, rather than setting out a new direction for French agriculture⁵. However, by packaging the different measures together in this way, it is a clear attempt to rebrand French agriculture as both economically and environmentally efficient, and able to meet the dual challenges of an increased demand for food and the need to protect the environment. As such, the launch of Objectif Terres 2020 communicates the efforts that are being made to increase the sustainability of French farming and will hopefully provide the basis for additional changes to the farm support system over time.

With the deadline of 1 August for Member States to notify the European Commission of changes to their farm support systems in response to the CAP Health Check agreement, we would expect to see similar announcements from other Member States over the coming months. It will be interesting to see what approaches other Member States choose to follow, and whether some will take France’s lead, or propose more ambitious changes, in order to refocus EU agriculture support in anticipation of the challenging EU Budget debates later this year and into 2010.

References

1. Agra Facts 15-09, Article 63 – Largest Source of Revenue for Re-Channelling French CAP Payments, 25.02.09
2. Agra-Europe, 27 February 2009, French arable farms to lose out in farm aid redistribution
3. Ministère de L’Agriculture et de la Pêche, 2009, Objective Terres 2020: Pour un nouveau modèle agricole français
<http://agriculture.gouv.fr/sections/magazine/focus/objectif-terres-2020/>
4. Agra-Europe, 27 February 2009, French Health Check plans point towards CAP renationalisation

5. Féret S, 2009, Green Week, Green CAP? Details of the French Plan to Move From an Unfair Distribution of Subsidies, CAP2020 website <http://www.cap2020.ieep.eu/>
6. Speech of Michel Barnier at the 'Conseil Supérieur d'Orientation et de coordination de l'économie agricole et alimentaire' (CSO). 23.02.09 <http://agriculture.gouv.fr/sections/presse/discours/michel-barnier-devant>

Martin Farmer, Kaley Hart

© Copyright IEEP 2009