

## PUBLIC GOODS AND SUSTAINABLE USE OF RESOURCES IN THE FUTURE CAP

### REFLECTION PAPER

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**Agricultural sector is involved in the usage and creation of several public goods more or less measurable and/or visible. We can quickly think about landscape, biodiversity, water, soil and air quality but also about food quality and safety. Applying the concept of public goods to agriculture goes much further from the mere basic adjectives of non-rivalrous and non-excludable access to these goods, given by the economic theory.**

The EU 2020 Strategy presented by the European Commission (EC) identifies as avenue for progress the smart, sustainable and inclusive growth.

Under the flagship initiative for smart growth "Innovation Union", EC proposes that one of the priorities of should be "building a bio-economy by 2020".

The concept of bio-economy undertakes generally to promote development and deployment of technologies as to progress towards the objectives of: achieving an agro-ecological intensive agriculture; producing affordable, safe and healthy food; making the

industry greener; closing the waste loop and enhancing rural development.

We need to break down there objectives and identify what are the challenges bio-economy concept places for agriculture specifically and how these will included in the CAP.

Sustainability is also a key message from the EU 2020 strategy. Translation of the concept in CAP and understanding its meaning for the productive sector is a task we have to fulfil.

#### **Public goods**

The theory describes public goods those that everyone can have access to, without reducing their availability for consumption by others. The complexity of applying this concept to agriculture originates in ensuring proper framework to for the using and enjoying these goods and mostly about the responsibility of protecting their long-term availability.

The debate is stimulated by the clear perception that investments will be necessary to achieve sustainability for the provision of these goods and their consumption.

**Benefits deriving from public goods spill over generations, state borders and population groups. Should society be in charge of taking care of them, moved by spontaneous sense of duty or common wellbeing of citizens? Or, the major beneficiaries should contribute for their maintenance?**

Direct payments to European farmers are in part justified by the willingness of maintaining a multifunctional European agriculture. This is meant to achieve not only an appropriate productivity but also to guarantee landscape and environment protection.

The key role of the sector towards these objectives is recognized in the EP Draft Report about Future CAP after 2013. The MEP George Lyon reminds that "unless sustainable farming activity continues across the EU, the provision of public goods will be at risk".

**Could the present level of direct payments be linked with further new obligations for the farmers? Or should farmers be stimulated to provide more services with a corresponding increase in the incentives they receive for their activities?**

Latest Commission proposals on the revision of the 2003 Energy Taxation Directive include the introduction of a carbon tax on the agricultural sector as sectors outside the EU ETS. The proposal is directed to include farmers in the CO<sub>2</sub> tax only covering heat and fuel consumption. In this context, the role that the farming sector could play in the EU's efforts to reduce carbon emissions should also be acknowledged in the CAP.

We can try to identify "producers" and "consumers" of a certain public good and to imagine a sort of compensation cycle in involving that credits and debt are exchanged between private protagonists without state participation.

Development of so called "Tradable Permit Instruments" is a way to provide market incentives to trade rights to pollute and to develop and use natural resources.

Emergence of those instruments should be considered as an opportunity for farmers to enter in a new developing market. If as "consumers" we could consider a wide number of participants coming from all economic sectors (industry, transports, public institutions, companies, etc.), agriculture is the only one close enough to natural resources and can work in the opposite way, which is conserving, producing or providing the availability of natural resources.

In countries like Australia state policies already regulate the market of "green credits" and certification is compulsory. In Europe, agriculture is not part of the EU ETS scheme.

Rural Development related activities, like landscape protection or biodiversity enhancement could also benefit of this new opportunity in economic terms and continue to improve farmer's life and employment, mostly in those countries or regions where countryside is in danger of being abandoned. Such instruments would bring also certain stability in the income level of farmers.

**Should such instruments be taken into account also in the design of the future CAP? Could they be seen as an integral part of the direct payments system?**

Growing food demand and the attention needed to be paid to environmental are challenges we have to face in deciding a direction or a compromise for the future content of the CAP.

The EU "Virtual Land Grabbing" (the negative net balance of land used outside Europe to fulfil food demand on internal market) will be an increasing phenomena if production yields will

increasingly not satisfy the ever growing food demand.

On the other hand unbalanced environmental protection measures will probably add to the pressure due to the effects in the decrease of productivity.

Lately the European Commission has requested a comparative evaluation of sanitary and phytosanitary standards for imports, to understand if imported goods have competitive advantage due to their application.

The recent price spikes and the economic crisis have contributed to a rise in hunger and food insecurity. The prospects remain negative. The *OECD-FAO Agricultural Outlook 2010-19* sees average dairy, vegetable oils, wheat and coarse grain prices 15-40 percent higher over the next 10 years than their average levels during the 1997-2006 period.

Higher food costs will undermine global food security. About one billion people are now estimated to be undernourished. The *Outlook* argues that agricultural production and productivity will need to be stepped up.

**Food security and food safety can they be considered public goods provided by agriculture? Is productivity increasing always the opposite of protecting environment? Is CAP the place to better support and communicate about of innovative technology which can marry the two?**

### ***Sustainable Use of Resources***

Sustainability has become a wide-ranging term that can be applied to almost every facet of life on earth, from local to a global scale and over various time periods. Furthermore, Sustainable Use of Resources as Sustainable Development are over-used words, where the meaning is not always perceived the same by everybody.

It seems commonly accepted that a holistic approach involving the social, economic and

environmental aspects is the only way to find solutions for sustainability. However, it still continues to be a complex concept that remains based on subjective judgments especially about the objectives to be achieved and the level of their ambition.

**Sustainable Use of Resources means ensuring that the natural resources capital remains intact or ensuring that the overall development (productivity of human and physical capital) compensate for the direct or indirect loss or degradation of the environment? Can we find a way to develop a objective definition for sustainability?**

Historically, agricultural development was geared towards increasing productivity and exploiting natural resources and not prioritising on the complex interactions between agricultural activities, environment and society.

These interactions must be considered to enable sustainable use of resources like water, soil, biodiversity and fossil fuels.

Much of the agricultural knowledge, science and technology needed to resolve today's challenges and putting them into practice require creative efforts from all stakeholders. Instruments based on a multidisciplinary approach seem to be needed, starting with more monitoring of how natural resources are used trying to find ways to use them responsibly.

**Is the net energy balance between the inputs that are used with the outputs that are emitted an objective instrument to measure sustainability? What other objective criteria can we use to take into account the positive and negative externalities that the processes can generate?**

Furthermore, there is the problem to find appropriate instruments to achieve a sustainable use of resources. The conclusions of the seminar "External competitiveness of the European agri-food model" organized by the Spanish Presidency and held in Sevilla on 15-16 April 2010 support the idea that the European

agricultural model has to have as main objective sustainability judged from the environmental, economic and social point of view.

The informal ministerial debate that followed later that month has reinforced this idea and has called for measures to better promote at internal and international level the elements of sustainability already included in this model.

However, European society still exerts pressure on the sector to go further. The challenge ahead is to find a new model of agriculture with enhanced sustainability and which responds in an adequate manner to food security.

The theoretical solution available is to use the innovation and research results to provide for more effective use of the existing resources while maintaining their availability for the future.

**Do we need agriculture to play a strategic role in the sustainable development? Should we provide for a CAP framework where increasing productivity of the resources used is the objective while permitting adoption of new technologies to ensure also sustainability? Shouldn't we recognize that efficient use of the existing natural resources releases the pressure on bringing in more land into cultivation?**

Sustainability has to be demonstrated. There is a requirement to find an instrument able to describe the performances, monitoring continuously the impacts on the environment giving an efficient support to the public authorities to implement the appropriate policies in adequate terms. The instrument has to be easily understandable by all citizens so as to prove and communicate the efforts of governments and of the other stakeholders to achieve sustainability.

**Could we envisage a system of balanced and harmonised economic, social and ecological indicators to be the solution? Should we strive to demonstrate more to the society the**

**progress towards sustainability made by agriculture through the implementation of its production standards?**

Also, it is important consider the real effectiveness of some agriculture and environmental policies that are not harmonized around the world. The discrepancy of these policies between countries has a direct impact on the imports and the exports so increasing the environmental protection in one country could shift the pressure elsewhere. Comparatively reduced costs, might increase the imports from countries that are not affected by similar policy, hence their negative impact on the environment. Thus, the net balance of the global social, environmental and economical effects of the environmental policy of the country could be negative.

**Where can we find the right balance, taking into account the difficulty to achieve a solution at international level?**

OPERA is inviting you to express your opinions on these issues and to identify if the priority for CAP should be to:

- define based on objective criteria the sustainability requirements;
- promote a agricultural model based on sustainability and efficiency of the use of resources;
- develop a evaluation system to prove progress towards sustainability, or
- promote globally a uniform approach to sustainability.

Equally, it is important to establish where should CAP focus to ensure that provision of public goods to society is enhanced and adequately supported:

- development of public support systems for the services provided by agriculture, or
- development of markets to reward public goods;
- increasing the burden of the farming activity with supplementary requirements;
- recognizing food security and food safety among the agricultural public goods and providing for adequate support.

