CAP after 2020 – challenges and opportunities

Regional perspective: Poland

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CAP 2021-2027 – main changes

1. Lower budget
   - EU: 408 billion EUR → 2021-2027: 365 billion EUR (-5% in real terms)
   - Poland: 2014-2020: 32 billion EUR → 2021-2027: 30.6 billion EUR
     - Pillar I (Direct payments): 21 billion EUR (-1% in real terms)
     - Pillar II (Rural development): 9.2 billion EUR (-25% in real terms)
   - New rules – difficult to predict effects for an individual farmer
     - Large heterogeneity
     - Preference for small and medium-sized farms

CAP 2021-2027 – main changes

2. More focus on environmental issues
   - Continued trend of reduced support for intensification, economic effectiveness and profitability
   - At least 40% of CAP funds allocated to actions for climate and environment (at least 30% in Pillar II)
   - Expected focus on ‘greening’
     - More focus on Pilar I measures aimed at, e.g., diversification, set asides, ecological farming

General perception of the new CAP

1. A setback in achieving cohesion
   - Call for convergence of direct payments
     - „Economically effective support for environmental and climate protection requires that level of direct financial support does not reflect differences in intensity of production from several years ago”
   - Disproportion in farmers’ support on the EU single market
     - Insufficient resources to meet same highest quality standards, keep agricultural sector competitive, effective, and profitable

General perception of the new CAP

2. A conflict between environmental and production/ effectiveness goals
   - Costs of agricultural production grow
     - E.g., increasing costs of labor, higher (environmental) standards
   - International competition
     - Open EU market, globalization
   - Reduced funding for modernization, increasing profitability
   - Country level priority: ensure equal conditions for competition on the EU market

General perception of the new CAP

3. Agri-environmental measures seen as ineffective (farmers' skepticism)
   - EU priorities in agri-environmental policy: mitigation and adaptation to climate change, biodiversity protection, limiting water, air and soil pollution
   - On the other hand, continued biodiversity loss since 2004 (accession of Poland to the EU)
     - Bird diversity reduction (30% EU, 19% PL)
     - Found both by experts and in qualitative studies of stake-holders
   - Reasons?
     - Insufficient monitoring of the effects
     - Unique technical conditions (spatial resolution of farms)
       - Small, narrow, irregular parcels of land
       - Poland dominated by small family farms

General perception of the new CAP

4. Increasing administrative and monitoring burden
   - Greater flexibility in setting out country-level goals
     - Measures tailored to local conditions
   - Increased conditionality
     - „The recipients of direct payments and annual premiums from the pillar 2 will be subject to a conditionality system. The new conditionality will incorporate the requirements that are currently applied through greening. In the new period, conditionality will be more extensive and demanding than at present."
5. Insufficient farm advisory services
   - Low willingness to pay for agricultural advisors amongst Polish farmers
   - Need of improved training and advice that farmers receive

General perception of the new CAP

6. Main directions
   - Adaptation to climate change effects
     - E.g., Polish agricultural sector hit by drought in 2018 (3.4 bilion PLN loss)
   - Use of manure
   - Support for beekeeping
   - Organic farming
     - Sustainability vs. competitiveness
     - Competition with non-EU certified products
   - How to effectively differentiate payments?

Research perspective: Empirical evidence from Poland

1. Go4Baltic (ERA-NET Bonus+ project)
   - Stated preference study of farmers' preferences for new AES
   - 5 European countries (Denmark, Estonia, Finland, Poland, and Sweden)
   - AES: catch crops, improved fertilizer application, set-aside
   - Attributes: share of eligible land enrolled, length, termination, advisory assistance, subsidy level
   - Large heterogeneity in WTA with observed farm characteristics

Research perspective: Empirical evidence from Poland

2. PROVIDE (H2020 project)
   - Extensive qualitative research of stakeholders' perceptions
   - Stated preference study of farmers' preferences for new AES in the Biebrza Valley
   - AES: reduced fertilization, crop diversification, catch crops, peatland protection (basic and extended), extensive use of meadows, reduction of livestock intensity
   - Attributes: length, termination, subsidy level
   - Large heterogeneity in WTA wrt observed farm characteristics
   - Trade-off between environmental goals (long-term schemes, little flexibility) and farmers' motivations and financial goals (short-term schemes, high flexibility)
   - Some evidence of the importance of knowledge and learning

Research perspective: Empirical evidence from Poland

3. Contracts 2.0 (H2020 project)
   - Stated preference study of farmers' preferences for new AES in Poland, Germany, Spain (possibly more)
   - Issues studied – preferences for:
     - Result vs. activity-based measures
     - Collaborative vs. individual approaches
     - The importance of information and knowledge, risk reduction mechanisms, flexibility
     - Consumer preferences for label-based approaches (bundling ES with agricultural products, information, price-based vs. direct payment mechanisms)
4. Another new project by Davide Viaggi

Research perspective: Future directions?

- The importance of knowledge, information, and learning
- Social and moral norms as a tool to implement the 'low hanging fruit' of nudge-based policy instruments
  - Farmers' interactions with the environment and social groups (including collaborative vs. individual approaches)
- Result vs. activity-based measures
- Label-based approaches, consumers' preferences for certified products
  - Public goods, ecosystem services, organic

Research perspective: Future directions?

- Provide more empirical results regarding farmers' preferences for contract characteristics
- Methodological: incentive properties of stated preference studies of farmers
  - E.g., via introducing uncertainty about the future payments?
- Methodological: investigate farmers' preferences via revealed preference methods
  - E.g., participation data, randomized control trials etc.

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Thank you!

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