Toimiiko nykyinen maatalouspolitiikka?

How does the Common Agricultural Policy function in Finland?

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Tämän tutkimuksen päätavoite on arvioida tärkeimpien Suomessa sovellettavien maatalouspolitiikkavälineiden ja -toimenpiteiden relevanssia, koherenssia ja tuloksellisuutta suhteessa yhteisen maatalouspolitiikan kolmeen ydintavoitteeseen ja niiden osatavoitteisiin, joita ovat:

1. elinkelpoinen ruoan tuotanto, jossa keskitytään maataloustuloon, maatalouden tuottavuuteen ja hintatason vakauteen;
2. luonnonvarojen kestävä hoito ja ilmastotoimet, jossa keskitytään kasvihuonekaasupäästöihin, luonnon monimuotoisuuteen, maaperään ja veteen;
3. tasapainoinen aluekehitys, jossa keskitytään maaseudun työllisyyteen ja kasvuun sekä köyhyyteen maaseutualueilla.

Tutkimus pyrkii vastaamaan erityisesti seuraavaan kysymykseen: Miten Suomessa sovellettavat maatalouspolitiikkatoimenpiteet edistävät elinkelpoista ruoan tuotantoa luonnonvarojen kestävää hoitoa ja ilmastotoimia tasapainoista aluekehitystä? Maatalouspolitiikan tavoitteet ja toimenpiteet muodostavat kokonaisuuden, jonka osien on tarkoitus tukea ja täydentää toisiaan. Tosiasiassa toimenpiteiden vaikutukset voivat olla myös jossain suhteessa vastakkaisia.

Tutkimuksessa tarkastellaan politiikkavälineitä/ toimenpiteitä, joiden toimenpidelogiikka liittyy suoraan CAP:n tavoitteisiin. Analyysia varten valmisteltiin yksityiskohtaiset toimenpidelogiikat, jotka pohjautuvat CAP-tavoitteisiin ja olemassa olevaan teoriaan ja kirjallisuuteen. Analyysissa hyödynnetään yksityiskohtaisia matriiseja, joissa esitetään käytössä olevat politiikkavälineet ja niiden odotettavissa olevat vaikutukset. Matriisit paljastavat, miten yksittäinen politiikkaväline/-toimenpide todennäköisesti vaikuttaa tavoitteisiin. Niistä ilmenee myös, missä määrin eri välineet/toimenpiteet edistävät samankaltaisia tavoitteita, sekä niiden mahdollinen vuorovaikutus, esim. niiden keskinäinen synergia, niiden neutraalius toisiinsa nähden tai niiden toisilleen aiheuttama haitta.

Politiikkatoimenpiteen relevanssia eli sitä, missä määrin toimenpiteen tavoitteet vastaavat tarpeita, ongelmia ja kysymyksiä, on tarkasteltu pisteyttämällä yksittäiset toimenpiteet sen perusteella, miten merkityksellisiä välineiden tavoitteet ovat tunnistettujen prioriteettien ja kysymysten kannalta. Politiikkatoimenpiteiden johdonmukaisuutta tarkasteltaessa on analysoitu, missä määrin yksittäinen toimenpide on yhdenmukainen muiden, samankaltaisiin tavoitteisiin pyrkivien toimenpiteiden kanssa. Politiikkatoimenpiteiden tuloksellisuutta analysoitiin arvioimalla, miten tuloksellista toimenpiteiden täytäntöönpano on ollut.

Tutkimuksen tulokset osoittavat, että maatalouspolitiikkamme tärkein tavoite on elinkelpoisen ruoan tuotannon ylläpitäminen ja maatalousyrittäjien tulotason säilyttäminen. Sen takia maatalouteen kohdistuvalla tuella sekä sen luonteella ja määrällä on Suomessa erittäin keskeinen rooli maatalouden kilpailuedellytysten turvaamisessa maan eri osissa ja tuotantosuunnissa. Ympäristölliset perusteet on otettu aiempaa suurempaan asemaan tuen myöntämisessä, mutta niiden painoarvo politiikan muotoilussa on edelleen suhteellisen vähäinen.

Asiasanat: maatalouspolitiikka, CAP:n tavoitteet, ympäristö, maaseutu, ilmastotoimet

Introduction

This study has three main objectives:

- to map the implementation of the Common Agricultural Policy (CAP) in Finland and the other EU member states, focusing on their implementation choices, the motivation for these choices and the importance attached to the three CAP general objectives;
- to develop a typology for grouping EU member states according to these choices; and
- to answer the evaluation questions related to relevance, coherence, conditions for enabling effectiveness, administrative burden and contribution to the EU2020 strategy.

This study has been carried out in relation to the three general objectives of:

1. Viable food production, with a focus on agricultural income, agricultural productivity and price stability;
2. Sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water; and
3. Balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

This study will provide a review of the choices that have been made by Finland and the other member states in both Pillar 1 and Pillar 2 of the CAP. This will focus on analysis of the choices that have been made by Finland and the EU member states (European Commission 2016).

Material and methods

For the mapping of the EU member state implementation choices, information available at the beginning of 2016 has been used to produce “mapping fiches” that describe the choices regarding Pillar 1 instruments and Pillar 2 measures in the 28 EU member states. The main sources of information were the notifications from the EU member states to the European Commission regarding Direct Payments and the 118 Rural Development Programmes (RDPs). Interviews in the 28 countries have also helped to shed light on the main factors that have influenced the decision-making process in each country. For the typology, the methodology is based on a cluster analysis involving a set of 12 indicators summarising the main choices made by the 28 EU member states. Answers to the provided questionnaires are based on case study work conducted in Finland, Bulgaria, France, Germany, Italy, Poland, Slovenia, Spain, the Netherlands and United Kingdom. The starting point of the analysis is the preparation of detailed descriptions that link policy instruments to the CAP objectives. The results can provide a preliminary idea of the potential policy impact of the CAP, but this evaluation has focused on the measures that have been put in place in only ten EU member states, and the evaluation is not based on data of the uptake or implementation by farmers or other rural beneficiaries (European Commission 2016).

Results

- Overall in the EU, the historical factor played a more important role than the three general CAP objectives in the EU member states’ implementation choices, especially in Finland.
- The typology indicates limited coordination between Pillar 1 and Pillar 2 implementation.
- *Relevance of the CAP*: the implementation choices are considered especially relevant to needs or priorities related to the general objective of viable food production, especially in Finland, for all regions.
- *Coherence of the CAP*: the choices of the EU member states are generally coherent, but opportunities for synergies could be better exploited.
- *Effectiveness of the CAP*: the lack of appropriate tailoring and targeting of Pillar 1 instruments and Pillar 2 measures raises concern about the impact of EU member states’ choices of implementation.
- The new flexibilities under Pillar 1, the changes of the structure of Pillar 2, as well as the need for coordination between Pillars, have increased the administrative complexity of the CAP.

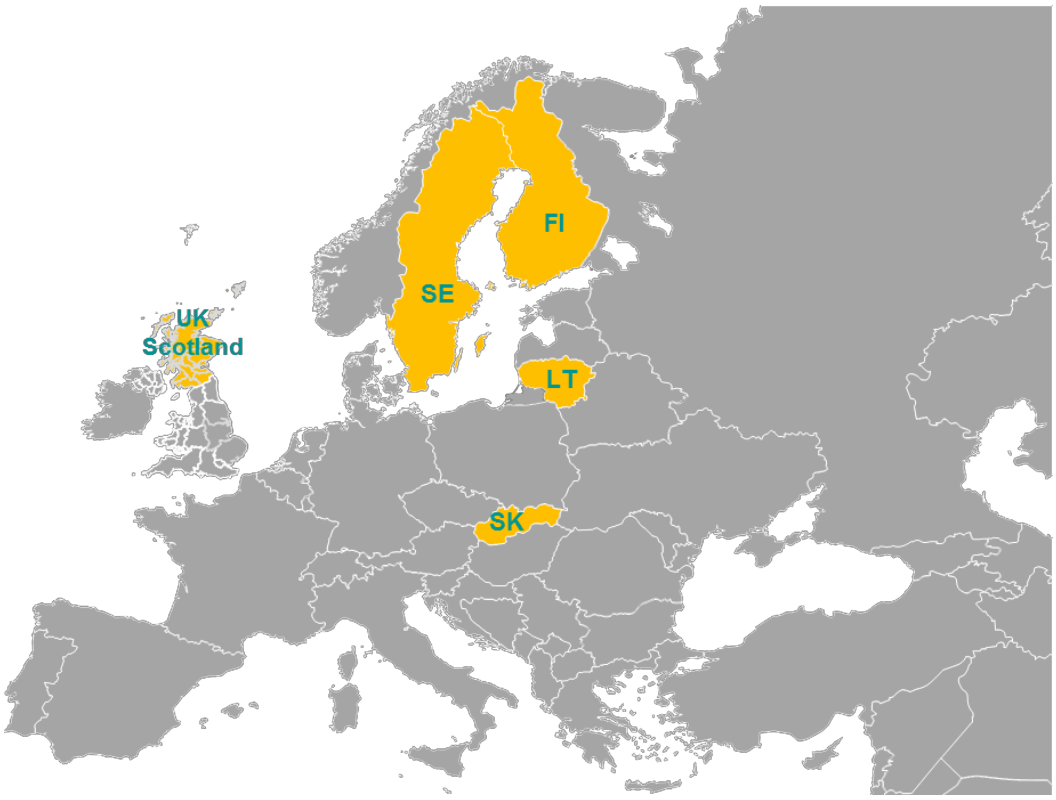

Fig. 1. Cluster based Finland's implementation choices under Pillar 1 & 2 of the CAP and Map of the Member States under *cluster 2* – Traditional agricultural policy with green accents Source: European Commission 2016

Characteristics of the clusters

Finland, Lithuania, Sweden, Slovakia and Scotland (UK) form *cluster 2* (Fig. 1) on the above (European Commission 2016). Their characteristics are mainly related to relatively high amounts of budget planned to be spent on Voluntary Coupled Support and no implementation of the Small Farmers Scheme. Finland, Sweden, and Scotland (UK) will move to a flat rate payment in 2019, but Lithuania and Slovakia are implementing the Single Area Payment Scheme (SAPS). The greening payment has been implemented with little room for flexibility to farmers. All of the EU member states in this cluster spend relatively high amounts on Priority 4 'restoring, preserving and enhancing ecosystems' out of the six EU priorities of the second Pillar. This is closely related to the fact that all allocate a rather substantial amount of support to M13 – payments to areas faced with natural constraints (less favoured area or LFA payments).

Cluster 1 consists of Austria, Germany, Latvia, Malta, Poland and Romania (European Commission 2016). This first cluster differs from the other groups with regard to the attention these EU member states have given to an equal distribution of direct payments over farmers by implementing the internal convergence at a rather fast rate (or having the SAPS in place in case of Poland, Latvia and Romania). Furthermore, all of these EU member states implement the Small Farmers Scheme. Overall this group is characterised by implementation choices mostly concerned with equity (traditional income support) and territorial balance in their implementation of the agricultural policies with a focus on productivity. Outliers in this cluster are Germany and Austria as they both allocate higher budgets to the environmental measures in the second Pillar and have a much lower coupled support rate (Austria) or chose not to implement this support (Germany). Additionally, Germany, Austria and Latvia have planned a far lower expenditure rate on strengthening the position of farmers in the value chain than in Malta, Poland and Romania.

Belgium, Spain, France, Greece, Italy, Portugal and Slovenia are part of *cluster 3* (European Commission 2016). The Voluntary Coupled Support will be used by these EU member states at rather high rates compared to the other groups. These member states choose a high degree of targeting with respect to the Direct Payments measure. This cluster (similar to Cluster 2) decided to fully use the options offered by the voluntary coupled support instrument, whereas for other Member States (notably Germany, but also in Cluster 4) apply this instrument at lower rates. In this cluster, amongst the highest average expenditure is planned for structural support and some importance is attached to producer organisations and risk management measures. Overall, this cluster targets mostly the objective of viable food production, putting a lot of effort in supporting production and productivity with lower amount of attention to the environmental aspects of agriculture.

Denmark, Ireland, Luxemburg, the Netherlands and three regions of the United Kingdom; England, Wales and Northern Ireland are part of *cluster 4* (European Commission 2016). This cluster has limited implementation of the voluntary schemes under Pillar 1. Voluntary Coupled Support is implemented at a very limited rate and highly targeted, and the Small Farmers Scheme is not implemented. For most members in this group, the implementation of coupled support payments does not fit in their national political orientation, whereby government intervention in markets should be non-distortive as much as possible. Denmark is the only EU member state among the EU-28 that decided to implement the areas of natural constraint (ANC) payment under Pillar 1 since 2015. Under Pillar 2, this cluster allocates a higher than average expenditure to M10: agri-environment, climate and organic farming measures and the lowest average spenders on structural support. Except for the Netherlands, none of the countries/regions put any resources aside for supporting producer organisation and risk management measures. This cluster is characterised by relatively high spending on green measures in Pillar 2 and high percentage of Pillar 1 allocated to the Basic Payment Scheme as they do not make extensive use of the voluntary schemes.

Cluster 5 includes Bulgaria, Croatia, Hungary, Cyprus, Czech Republic, Estonia, Croatia and Hungary (European Commission 2016). All members of this group have the SAPS in place except Croatia. Additional support will be granted to small farmers in this cluster except for Cyprus and Czech Republic. Coupled support has been implemented at rather high rates with Estonia being the exception. Furthermore, they have taken a flexible approach towards greening, leaving a lot of options open to farmers. Pillar 2 implementation choices of this group are characterised by having more attention to structural support. Overall, this cluster shows a rather homogenous group that try to get the maximum support for farmers from Pillar 1 and offer a wide variety of measures under Pillar 2 in order to facilitate adoption by farmers. Consequently, the allocated budgets to the different measures are all at a low to average rate and there is no real pattern in the second Pillar implementation choices. Only in terms of viability in rural areas, this cluster allocates higher budget shares to this objective than the other clusters, except for Cluster 1.

Finland's implementation choices under Pillar 1 & 2 of the CAP

***Factors influencing implementation choices*:**

In Finland, the overarching objective guiding implementation choices is to maintain income for farmers and increase production, while also giving attention to water management in order to support production. Factors influencing the decisions are the perspective of keeping the policy as simple as possible by only choosing measures/instruments which would allow to the best way possible to reach this objective. Also the historical factor, maintaining status quo, weighs on the choices made. The geographical factor in terms of supporting production in areas which are faced with natural constraints is important for the implementation of Pillar 2.

***Account taken of the EU's CAP objectives*:**

Finland's main priorities are income, water management and employment in areas with natural constraints. Finland has chosen to allocate over 30% of its rural development programme (RDP) budget to M13 "payments to areas facing natural or specific constraints" (€1.83 billion) and over 28% to M10 "agri-environment-climate" (€1.6 billion).

***Stakeholder involvement*:**

Stakeholders from the farming sector, but also the non-farming sectors are very much involved in the consultations and negotiation processes. Besides the main three Ministries who are involved in the implementation of the CAP (Agriculture and Forest, Environment and Finance); farmers' associations, NGOs and researchers are also involved. All stakeholders are meeting in coordinated groups and sub-coordinated groups. Finally, the Agriculture and Forestry Committee in the Parliament has played an important role in shaping the implementation of the CAP.

Summary of implementation choices:

- Budgets (2014-2020): Pillar 1 - € 3.14 billion (56,9%); Pillar 2 - € 2.38 billion (43,1%), there is no transfer between Pillars;
- Pillar 1: Basic Payment Scheme - 49% reaching a flat rate payment in 2019, Coupled Support up to 20% (of which up to 1,2% for protein crops), Small farmers scheme not implemented, areas of natural constraint (ANC) not implemented:
  - Minimal capping above € 150,000 with no allowance for salary costs;
  - Voluntary Coupled Support up to 20% and up to 1% for protein crops;
  - Flat greening payments with four options for Ecological Focus Area (EFA) compliance, all permanent grassland (PG) is designated as environmentally sensitive permanent grassland (ESPG) in Natura 2000 and the forest cover derogation is implemented;
- Pillar 2: The highest aggregated amounts are allocated to M13: Payments to areas facing natural or other specific constraints (32,29%), M10: agri-environment-climate (28,21%), and M14: Animal welfare (8,07%). Most expenditure has been planned under Priority 4 (68%).

Discussion

Relevance of the CAP in Finland

In terms of *viable food production*, the most relevant measures applied in Finland are basic payment, voluntary coupled payment, payments to areas facing natural constraints, and investments in physical assets. They all have a positive impact on the income of farm household, and middle to strong impact on production activities. In animal husbandry, the risk of giving up farming is high particularly in Southern Finland. Coupled support has encouraged farmers to continue. In arable farming, support is granted to starch potato, protein crops, rye and sugar beet in the whole country and to field-scale vegetables in Southern Finland. Payments to areas facing natural constraints are paid for the entire cultivated area of about 2.16 million hectares. They have ensured agricultural production to continue in spite of the adverse climate conditions due to the northern location (Niemi and Ahlstedt 2015).

In terms of *sustainable management of natural resources and climate action*, the most relevant measures applied in Finland are the cross-compliance rules, greening payment, M10: Agri-environmental measures, and M11: Organic farming payments. Positive impact expected to biodiversity, soil and water from M10: Agri-environmental measures, and from M11: Organic farming payments. Greening payment has the potential to bring benefits for mitigating greenhouse gas emissions by encouraging rotation of arable crops, including the introduction of fallow or legumes into the rotation.

In terms of *territorial balance*, the most relevant measures applied in Finland are Pillar 2 payments such as M6: Farm and business development, M7: Basic services and village renewal in rural areas, M13: Payments to areas facing natural constraints, and M16: Cooperation. Payments to areas facing natural constraints are paid for the entire cultivated area (2.16 million hectares), and thus ensured agricultural production to continue in spite of the adverse climate conditions due to the northern location. As a result, this is contributing to rural employment and promoting economic development in rural areas. It is also a source of income for farmers living in rural areas. Basic services and village renewal in rural areas are important in maintaining and up-grading the needed services for both agricultural and non-agricultural activities in rural areas. Farm and business development is important in starting business start-ups for non-agricultural activities in rural areas and provide support for investments in creation and development of non-agricultural activities that will eventually provide rural employment and improve economic activities in rural areas. Finally, Cooperation can bring rural operators together to organise

joint work processes and sharing facilities and resources and to develop and market tourism in rural areas. The majority of farms in Finland have forests in addition to arable land and animal husbandry, therefore support for drawing up of forest management plans or equivalent instruments are important in the sustainable management of forested areas (Ministry of Agriculture and Forestry 2013).

Coherence of the CAP in Finland

There are no instruments that are clearly competing with each other, or are in opposition to one another. Some of the instruments reinforce each other, for example basic payment, young farmers' scheme, and payments to areas facing natural constraints have all a positive impact on the income of farm household. The coupled payments combined with investment aid paid to livestock farms are highly important for the continuation and scale of livestock production. Some of the instruments complement each other, for example greening payment, cross compliance rules, M10: Agri-environmental measures, M11: Organic farming payments and M16: Cooperation. None of the instruments have direct impact on reducing rural poverty. Poverty in rural areas is not an issue in Finland because of a well-established social welfare system in the country.

Effectiveness of the CAP in Finland

The basic payment, voluntary coupled payment, M4: Investments in physical assets, and M13: Payments to areas facing natural constraints are important for *viable food production.* The national objectives of agricultural policy in Finland are founded on the compensation of permanent competitive handicap of Finnish agriculture due to adverse natural conditions (payments to areas facing natural constraints) so that the production can succeed on the common European market. Efforts to this end have been made by utilizing fully all the support measures provided by the CAP (basic payment, coupled payments, investment support) to take the needs of Finnish agriculture into account.

The key role of subsidies in the maintenance of production volumes in the Finnish agricultural sector will remain unchanged in the coming years. Coupled payments are considered very important in maintaining production. Besides the EU support, national aid is paid to Finnish farmers. The national aid comprises northern aid, national aid for southern Finland, and certain other payments. The aim is to ensure the preconditions for Finnish agriculture in different parts of the country and production sectors (Niemi et al. 2014).

The Cross compliance, Greening payment, M10: Agri-environmental measures, and M11: Organic farming payments are important for the *sustainable management of natural resources and climate action*. New environmental requirements which have been added for direct payments, the greening measures, sparked vivid discussion in Finland. Agri-environmental support to compensate for income losses resulting from the reduction in the production and increased costs has been utilized in Finland since 1995. In order to avoid double payments, the coordination of greening measures and the new agri-environmental payment scheme required clear distinctions in definitions. From the environmental perspective, the most significant element is the stronger emphasis on and recognition of the linkage between agricultural support and the environment as an obligation which is binding to all farmers.

The main topics discussed during the preparation of the scheme were the same as before: the limits for nitrogen and phosphorus fertilisation, the percentages for the usability of animal manure, the use of start-up phosphorus in fertile soil, and targeting the measures to the most environmentally sensitive areas. The number of farms included in the M10: Agri-environmental scheme decreased slightly from the previous programming period, but it still covers more than 90% of the arable area. The advisory services, training, capacity building, and facilitation activities in the pillar 2 are well placed and designed to make the services and activities available through the extension service providers (Pro-Agria), Centres for Economic Development, Transport and the Environment (ELY Centres), and via the internet (Aakkula and Leppänen 2014).

In terms of *territorial balance*, the most relevant measures are only Pillar 2 payments such as M6: Farm and business development, M7: Basic services and village renewal in rural areas, M13: Payments to areas facing natural constraints, and M16: Cooperation.

Conclusions

Lessons learned and considerations for the future of the CAP

The study confirms that the CAP has become more complex. The mapping of the implementation choices confirms that the new flexibilities under Pillar 1 resulted in a more diversified implementation of the CAP, with measures being used in many different ways and in wide array of combinations in the EU member states and regions.

The study reveals that the EU member states' strategy to address the 3 CAP objectives is not sufficiently documented. The implementation choices are more influenced by the ambition to "maintain the status quo" for the agricultural sector than by a long-term strategy that take into account the general CAP objectives (viable food production, sustainable management of natural resources and climate action, and balanced territorial development).

The study also raises concerns about the potential impact of the CAP. Despite the fact that the CAP provides a range of instruments and measures, EU member states have not sufficiently focused their available funding, thus this might constrain the effectiveness and potential impact of the CAP in reaching the targets set by the EU2020 Strategy. For specific instruments, such as greening, questions have been raised about the implementation modalities and their impact on the environment, particularly biodiversity.

In the short term, simplification should be sought in order to limit the growing concern of an increase in administrative burden related to the complexity of the CAP. The exchange of good practices between countries should be encouraged to promote simplification as well as the implementation of a smart and proportionate administration. It is also recommended to improve the implementation modalities of the Green Payment to encourage a more tailored approach to their use. How these measures interact with Pillar 2 also requires further attention.

For the CAP post 2020, EU member states and the European Commission should agree on the principle and the implementation of a new framework which would include the establishment of a national long term strategy that takes into account the general CAP objectives supporting viable food production, ensuring the sustainable management of natural resources and climate action, and promoting balanced territorial development.

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