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**More New Wine in the same Old Bottles? The evolving nature of the CAP reform
debate in Europe, and prospects for the future.**

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Abstract

Europe's Common Agricultural Policy (CAP), its evolving role and financial and political significance have long been hot topics among rural stakeholders. This paper analyses a ten-country study examining the nature and key points of discussion concerning the new reform of the CAP, finally agreed in September 2013. The study examined stakeholder views on the Commission's November 2010 Communication, the Impact Assessment and the October 2011 draft legislative proposals for the 2014-2020 period. Case studies for each country and comparative analysis were used to stimulate discussion at an international policy conference in early 2012. The paper updates Erjavec et al's (2008) analysis of the changing discourse in Brussels, contrasting its move from a neoliberal to a more neo-mercantilist position, with the nuanced, heavily path-dependent attitudes and negotiating stances in the Member States, even when key interest groups express consistent views across national boundaries. In this context, we see why what looked from Brussels like a consensus-oriented package still failed to offer a clear way forward for the Council and Parliament. Taking stock in October 2013, we note the outcome – a potentially greener and slightly more cohesion-sensitive policy, with weaker differentiation between its pillars but much increased national differentiation – and its future implications.

1. Introduction

Erjavec et al (2008) used the term 'new wine in old bottles' to characterise how the EU-level discourse on the Common Agricultural Policy (CAP) and its role, as represented by the speeches of successive Agriculture Commissioners Fischler and Fischer-Boel, shifted over the past decade, from a largely mercantilist to a strongly neoliberal perspective (defining terms as in Potter and Tilzey, 2005), thus facilitating the EU's participation in international trade negotiations. Other commentators have preferred to emphasise the continuity of recent CAP reforms in a direction first begun with MacSharry in 1991, representing a shift away from a narrow focus for farm policy to the promotion of a multifunctional 'European model of agriculture' (Laurila, 2000; Van de Poele, 2000), which was more or less completed with the 'Health Check' process in 2008-9. In both these views, explicit support for agricultural production should become weaker, as aid and the focus of policy attention are redirected towards a broader range of rural objectives and beneficiaries, as also captured in the OECD's 'new rural paradigm' (OECD, 2006). Viewed from this perspective, the appointment of a new Commission and a new Commissioner for Agriculture in 2010 has brought a rather different vision to the table. Against a backdrop of continuing stagnation in respect of the Doha development round in the WTO, it seems that the focus in Brussels shifted inwards, pursuing intra-EU equity through reform, rather than facilitating a more liberal global trading regime by reducing producer support, or shifting support from farming to rural development. Unlike his predecessors, Mr Ciolos is not in the least apologetic about the extent to which the EU supports its agriculture, and the variety of tools that it deploys in that cause:

“Since subsidies are clearly needed across European agriculture - and indeed a vast majority of Member States are of this view - a European policy is the only way to deliver a fair and efficient agricultural market for producers and consumers.” (speech at the Oxford farming conference, January 2011)

“There will be coupled aid. We must have the courage to go against fashion and widely held but outdated economic theories, where this is objectively necessary and essential to maintain vulnerable sectors.” (speech to the European Parliament, October 2011)

In addition, following the significant price spikes of 2007-8, food security as an objective for EU agriculture has assumed new prominence.

“Agriculture is at the heart of rural life and we need to support it in all its diversity. It gives us our food, but also a broad set of common public goods, our culture, traditions, values, natural resources, a future for our regions and our heritage.”“However, the market alone is not always sufficient for something that is as strategically important as food security. More than ever before, in the context of climate change and price volatility, we need to maintain a back-up when the market fails.” (Oxford, 2011)

Coming as he does from a large and relatively poor new Member State, it is perhaps unsurprising that the Commissioner for agriculture should be particularly aware of the unequal distribution of CAP resources across the Union, following the gradual phasing-in of support to countries who have joined since 2004. But the strength of his rhetoric in support of continuing aid for the farm sector, coupled where necessary, appears a notable break from the previously dominant rhetoric of price cuts, progressive decoupling and shifting resources towards more targeted aid in the CAP’s second pillar (Erjavec et al, 2008). Commentators have pointed to the Commissioner’s post-graduate studies in France as a potential source for the relatively neo-mercantilist flavour of his speeches and his outlook concerning the legitimate role of the CAP and its future development. In this sense, therefore, the Commissioner is re-framing the CAP reform process with a package of proposals steering a quite different conceptual and theoretical course to that of his three immediate predecessors.

But of course, the outcome of any policy reform process is the combined result of the perceptions and preoccupations of a variety of actors, including the Council of Ministers representing the full range of Member States, as well as the particular perspectives of the Commission and Commissioner, in Brussels. So, for example, Commissioner MacSharry in 1991 attempted to fundamentally reorient the objectives of the CAP, as laid down in the 1957 Treaty of Rome, extending them to embrace the multifunctionality of farming (EC, 1991). MacSharry’s suggestions, however, did not get through the Council of Ministers, but Commissioner Fischler was finally successful, eight years later, in broadening the goals of the policy in the Agenda 2000 process. Since the coming into force of the Lisbon Treaty, CAP reform is now dependent upon co-decision, through which the European Parliament also has a seat at the table. This adds another layer of political influence to the challenging process of achieving consensus over the reform package currently under discussion (Greer and Hind, 2012). As a consequence, eventual agreement on a modified version of Mr Ciolos’ original reform proposals has taken almost 2 years from publication of draft regulations and led to a delayed implementation of the package by one year, beyond the original timetable.

The aim of this paper is to make a comparative analysis of the ongoing debate on CAP reform which contrasts the ‘view from Brussels’ and the Commission and Commissioner in particular, with the perspectives and concerns shaping reactions among the Member States. In this way, and considering the dynamic of the process, we hope to reach an understanding of the key influences upon the reform and to assess how they match up to EC aspirations and compare with the trajectory since 1991. The analysis is based upon a study carried out between September 2010 and March 2012, and the paper is structured as follows: section 2

summarises the reform proposals¹ and rationale as presented by the Commission and Commissioner; section 3 describes the comparative study of Member State debates and summarises its findings; section 4 analyses how these have influenced the eventual outcome of the reforms and section 5 draws some conclusions about how this relates to the original Commission aims and the longer-term process of CAP evolution.

2. The basic shape of the proposed reforms and the Commission's stated rationale

The Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled "The CAP towards 2020: Meeting the food, natural resources and territorial changes of the future" published in November 2010 was followed by intense public debate throughout the European Member States (EC, 2010). In the Communication, the Commission described the previous reform path and defined future challenges for the CAP, set out objectives for the future CAP and outlined broad policy options for its shape and its main instruments. Option 1 described a continuation of the current policy with some adjustments regarding the distribution of direct payments between Member States. Option 2, which was clearly favoured by the Commission, aimed at creating 'a more sustainable and better targeted CAP that contributes more to the EU 2020 strategy of smart, sustainable and inclusive growth'. Option 3 described a fundamental reform with a strong focus on environmental protection and climate action, moving away from income support and market measures. The Communication was followed by a more detailed Impact Assessment of its three main policy options, and this was followed by the publication on 12 October 2011 of the Commission's draft legislative proposals for the CAP, 2014-2020 (EC, 2011).

To assess how the Commission's perspective on the CAP has developed, we look briefly at what challenges and objectives are identified by the Commission in its Communication and legislative proposals as well as at how these objectives, and the policy instruments suggested, have been explained by the Commissioner.

In the November 2010 Communication the Commission identified the following challenges (EC 2010).

- Food security: contribution to rising global demand for food, the provision of high quality and a wide choice of food products for EU citizens (including local products), and the competitiveness of the European agro-food sector in times of economic crisis, when agricultural markets are characterized by greater volatility and uncertainty.
- Environment and climate change: the provision of public goods, addressing the negative environmental impacts of agriculture, and promoting climate change mitigation and adaptation.
- Territorial balance: in which agriculture is presented as a key driver of the rural economy and the basis of local traditions and identity in many areas of the EU, and therefore having an important role in contributing to cohesion goals.

The objectives set in the Communication are the following: 1) Viable food production - contributing to farm incomes, improving the competitiveness of the agricultural sector and enhancing its value share in the food supply chain, with compensation for difficulties in areas suffering from specific natural constraints; 2) Sustainable management of natural resources and climate action - provision of environmental public goods, green growth through innovation, climate change mitigation and adaptation; and 3) Balanced territorial development - support for rural employment, and structural diversity in farming systems (improvement of the conditions for small farms and development of local markets).

In its legislative proposals of October 2011, the Commission affirmed the policy objectives in the Communication and stated that “the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the EU 2020 strategy” (EC 2011, p. 2) had emerged as a common theme through the inter-institutional debate and stakeholder consultation on the impact assessment. Figure 1, taken from a slide show on the legal proposals published by the Directorate-General Agriculture and Rural Development of the European Commission, stated enhanced competitiveness, improved sustainability and greater effectiveness as the main objectives of the current reform.

- FIGURE 1 HERE -

The main points promoted by the Commission in its 2010 Communication in respect of the overall architecture of the future CAP were (EC 2010): the continuation of the CAP in two complementary pillars with the first pillar containing the support paid annually to all farmers and the second pillar as the tool pursuing Community goals and meeting the specific needs of the Member States on a multi-annual, programming and contractual basis; and *a more equitable distribution of funds between Member States*, ensuring that all Member States receive on average a minimum share of the ‘EU average level’ of direct payments per hectare.

In the draft regulations, the Commission proposed the following. There should be a redistribution of pillar 1 payments between Member States in order to reduce disparity as indicated by the average payment rate per hectare on eligible farmland. The current SPS (Single Payment Scheme) and SAPS (Single Area Payment Scheme) should both be replaced by a single payment scheme for all Member States, based upon flat-rate payments per hectare at regional or national level, which can be phased in but should be fully in place by 2019. There should be an aid cap for the largest recipients, reducing payments above 150,000 Euros per year (adjusted for labour use), and the restriction of aid to ‘active farmers’ only, as defined on the basis of income and aid criteria. The Commission proposed to introduce a 30 per cent ‘greening’ share into total pillar 1 budget allocations, so that farmers are required to meet one of three requirements if they wish to claim this additional share of aid (crop diversification, preservation of permanent grassland, 7 per cent ecological focus areas). Also, the proposals offered Member States the option to have specific Small Farmers, Disadvantaged Areas and/or Young Farmers Schemes funded from their pillar 1 allocation. There was also the proposed introduction of a new ‘Crisis Reserve’; and expanded coverage for recognition of producer organisations and associations, as well as inter-branch organisations, by Member States to all product sectors.

In respect of the second pillar of CAP, the proposals included the integration of the European Agricultural Fund for Rural Development (EAFRD) into a new ‘Common Strategic Framework’ for all main EU funds including the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF). As regards the architecture of Pillar 2, it was proposed to replace the former three axes and the minimum spending requirements on each axis by six priorities, for which any combination of measures could be used. The new framework offered a reduced number of Pillar 2 measures by broadening their definitions, giving more flexibility of use for each measure; and the introduction of a new risk management ‘toolkit’ including support to mutual funds and a new income stabilisation tool. New biophysical criteria were proposed for the delimitation of areas facing natural constraints which can receive targeted pillar 2 aid; and the menu of measures offered new mechanisms to promote co-operation and partnerships in rural development, especially promoting innovation for sustainable competitiveness in agriculture.

In his speeches following the October 2011 publication, Commissioner Ciolos̄ emphasised equity, legitimacy, simplicity and sustainability as key aims of the reform. Presenting to the Parliament, he said: “The key aims of this reform are: to ensure that the competitiveness of all European farming safeguards our food security; to lay down the foundations for long-term competitiveness that is both environmentally *and* economically sustainable; to ensure that agriculture flourishes throughout Europe; and finally, a spearhead objective: to simplify the CAP.” He added also that: “The current payments, based on a plethora of systems conceived using historical reference values, have lost their effectiveness. They are undermined by their lack of credibility and transparency in the eyes of the public.”... also ‘This [reform] is also a step towards greater fairness, and a contribution to food security.’...and he described the greening proposals as designed to ensure long-term food security.

In these explanations, we see a clear departure from the neoliberal rhetoric and vision increasingly espoused by the previous Commissioners, as analysed by Erjavec et al (2008). Continuing support for agriculture is affirmed as necessary for food security in both short and long-term and as such, the distribution of that support according to ‘fair’ and transparent criteria becomes necessary, in a way which it arguably would not have been if the support were seen in the transitory light of a neoliberal ‘adjustment mechanism’, introduced principally as (theory would advise, time-limited) compensation for price cuts. The introduction of greening, and new options to enable targeting of Pillar 1 support to more ‘needy’ groups, can also be seen as mechanisms which are designed to give more long-term legitimacy to this, the largest-spending element in the policy.

At the same time, however, continuing emphasis upon sustainability and multifunctionality in the whole CAP indicate that the future agenda is a broad one, in which the former, specific goals of Pillar 2 (competitiveness, environment and quality of life) are henceforth to be applied across the whole policy. Greening, notwithstanding its practical limitations, represents a further development of the notion that *all* CAP aid should promote environmental goals, going beyond the already-established principle of cross-compliance in pillar 1. The new package gives more prominence to previously affirmed, but very weakly pursued, coherence with regional development and cohesion policy goals – through the moves towards greater equity and targeting in pillar 1, and the explicit addition of tackling rural poverty to the final one of the six new strategic objectives of pillar 2, as well as the new Common Strategic Framework to strengthen coherence between all the main EU programmed funds.

3. Examining the views in the Member States: a comparative study

3.1 The study

This section is drawn from an exercise to analyse the public debate on the reform of the CAP after 2013, based upon experience in ten contrasting EU Member States, over the period following the publication of the Communication and, to a limited extent, including reactions to the draft legislative proposals¹. A team of independent experts was convened to analyse the debate in their own country, examining statements and opinions of stakeholders in the public debate, including governments, farmers’ unions, scientists and environmental non-governmental organisations. The countries included in the analysis were the Czech Republic, Finland, France, Germany, the United Kingdom, Greece, Hungary, Poland, Slovenia and Spain. This choice of countries was made in order to represent new as well as old Member States and a variety of climatic conditions and agricultural structures. In the country reports, the experts summarised stakeholders’ positions on the different elements of the CAP reform

proposed in the Commission's Communication, put them into context, determined the issues dominating the debate in the respective Member State and drew conclusions. A comparative analysis of country reports was then undertaken by the authors of this paper, in order to identify dominant issues, major lines of argument and conflict, as well as prospects for consensus. The comparative analysis was presented at a policy conference in Germany in March 2012, discussed with participants from 14 EU Member States working in the fields of politics, administration, science and civil society, and there developed a little further.²

3.2 The findings

Overview

Involvement in the CAP reform debate in all ten countries has included government bodies, farmers' organisations, other non-government organisations (NGOs) and 'independent experts'. However, it varied between countries in ways which reflect the relative strength of different interest groups and this in turn affected the main points of interest. Apart from the overall objectives and the general architecture of the CAP, which tend to be supported by most of these groups, the issues dominating the debate on the CAP reform in the ten analysed Member States can be summarised as follows (roughly in order of priority). Firstly, the proposed greening of direct payments captured much attention. The limiting of support to "active farmers" and the respective definition of the term was another frequent topic of discussion. The distribution of funds between Member States was also prominent: the call for a more equitable distribution of funds between new and old Member States being the dominant issue for new Member States, in particular. The harmonisation of direct payment schemes in the EU, the degree of decoupling that should be required, and the best way to implement decoupled direct payments were also live issues for many, as was a strong call for a simplification of the CAP and a reduction of bureaucracy. The capping of direct payments was mainly discussed in those Member States where large farms might be affected by such a policy, such as the Czech Republic, Germany and UK. There was also some debate on the overall scale of CAP funding – with completely divergent views on this, between different Member States. Some countries' stakeholders also affirmed a wish to maintain agricultural production in the entire EU and to ensure sufficient income for farmers; echoing the Commission's rhetoric on this point. Market measures were a focus of debate in some countries like Spain and France, while of minor importance in other countries, e.g. Slovenia. Finally, there were also issues of specific national interest in many of the ten countries, e.g. the treatment of national support to certain sectors or areas, the future of modulation and the proposed redefinition of marginal areas. In respect of rural development, we note that the Commission's proposals were of particular interest for debate in some, mainly new, Member States but seen as of hardly any importance in other Member States, e.g. France. In some countries like Germany, the debate on rural development gathered momentum only after publication of the detailed legislative proposals in October 2011, so it was not fully captured in the country analyses and instead discussed more fully in the March 2012 conference.

Considering those groups most active in the debate, in the Czech Republic, strong voices include members of the European Parliament, farmers' organisations, environmental NGOs, the Ministry of Agriculture and one research institute. The two aspects most focused on were the question of a more equitable distribution of funds between old and new Member States, and the proposed capping of direct payments, which most stakeholders strongly opposed. Other issues of concern are the move from the current SAPS system to the system of payment entitlements for eligible hectares (as the development of black market structures is feared) and the demand for simplification and reduction of bureaucracy. Important issues with

regard to agricultural policy in Hungary, where farming, environmental and regional development bodies all engaged in the debate, were the level of support granted to small farms and the livestock sector, the distribution of power within the food chain, the support of local food production and markets, employment creation and poverty reduction in rural areas. Many stakeholders demanded equal treatment of old and new Member States, i.e. the same level of direct payments. Another overall dominating issue was the demand for simplification. A broad range of bodies was involved in the reform debate in Poland, where major issues include the unequal distribution of direct payments between Member States, support for small farms, a reduction of bureaucracy and the importance of rural development policies and their relation to cohesion policies. There was generally strong support for continuing with a Common Agricultural Policy. In Slovenia, farming, rural development and academic voices shaped the debate, while environmental organisations were less active than in previous debates on agricultural policy. The focus of debate in Slovenia was on the proposals for direct payments, especially greening. Rural development issues were also discussed but raised less controversy.

In Finland, apart from the Ministry of Agriculture and Forestry, farmers' organisations have been the most active stakeholders in the public debate on the future CAP. Environmental and animal welfare organisations have also been active, but focused more on general aspects of agriculture rather than the CAP reform. The wish to maintain agricultural production in the entire EU and income support for farmers was of major concern for some stakeholders, while others focused more on environmental aspects of the CAP. The greening proposals were contested. Two specific Finnish interests are the right to continue to pay national support for livestock producers in southern Finland, and the continuing right to LFA support in the entire country. In France, apart from administrative and political bodies, the public debate on the CAP was also mostly influenced by farmers' unions, although environmental and development co-operation organisations have recently gained influence. Owing to the relatively strong political, social and economic importance of agriculture in France, French stakeholders still take a position that the CAP should remain strong, both with regard to funding and market regulation. While there was broad consensus on limiting direct payments to active farmers, there was disagreement on greening, and on the move away from payments based on historical production towards area-based payments. Rural development policies were of minor importance in the French public debate.

In contrast to France and Finland, the main stakeholders contributing to the public debate in Germany represent a broader range of interests, with environmental and development NGOs prominent. Farmers' organisations and political bodies opposed redistribution of funds between old and new Member States, while greening proposals and the capping of direct payments were highly contested. Among second pillar policies the design of agri-environment programmes and farm investment support schemes were issues of interest. Simplification of the CAP and a reduction of the bureaucratic burden were demanded by many stakeholders.

One important characteristic of the UK public debate on the CAP reform was the divergent views and interests of the lead ministry in England and the devolved administrations of Scotland, Wales and Northern Ireland, as well as the strong influence of the UK Treasury (the finance ministry). Environmental organisations also have an influential position in CAP policy discussions in the UK. The UK Treasury has long taken the view that the CAP is an anachronism which should be abolished or significantly reduced in scope and scale; this position has dominated the public debate in the UK for several decades. Thus, key issues in the current UK debate were the scale of support to agriculture, the function of and

justification for direct payments, the best way to focus the CAP on the production of public goods, and the important role of the second pillar for environmental land management.

The public debate in Greece on the future CAP was overshadowed by discussions on the financial crisis, but the main stakeholders contributing to the debate were the Ministry of Rural Development and Food, farmers' organisations, the media and representatives of political parties. The distribution of funds between Member States and regions, especially the criteria for the demarcation of regions and the issue of eligibility for direct payments, were key concerns. The definition of "active farmers", as well as the greening proposals, were highly contested. In Spain, the autonomous regions are important stakeholders in the public debate, although the national position in the EU negotiations is only represented by the Spanish government. Other vocal stakeholders were farmers' unions and cooperatives, with scientists, environmental organisations, rural development players and industry associations playing a lesser role. Like the situation in Greece, most Spanish stakeholders take conservative positions on CAP reform and are mainly concerned with the redistributive effects on different Spanish regions and sectors. Important issues in the debate have been the move from the historical model of direct payments to a flat rate at national or regional level, and proposals to strengthen the position of producers in food supply chains.

Challenges and Targets

Most Member States agreed in principle with the challenges and targets identified by the Commission. However, different groups of stakeholders stressed different challenges and objectives. For most governments and the mainstream farming organisations, competitiveness and productivity (often linked to the need to contribute to global food security) of the EU farming sector should be the main objectives of the CAP. Neither governments (with the exception of the UK) nor the mainstream farming organisations sought a fundamental reform of the CAP. Environmental and other NGOs, like scientists, frequently demanded a more fundamental reform and improved targeting of the CAP, as well as favouring strict environmental and social regulations embracing the EU and international agricultural trade, over market liberalisation.

The two-pillar structure of the CAP was barely questioned by government bodies in any of the ten countries. Only the UK central government argued in favour of phasing out the first pillar for the benefit of a strengthened second pillar. The mainstream farming organisations also accept the current two-pillar structure, but often stated that pillar two must not be strengthened at the expense of pillar one. Like most government bodies, most mainstream farming organisations expressed a wish to see the two pillars kept distinct. In their opinion, the focus of the second pillar should be on support to the agricultural sector, but this embraced a range of individual positions from that of the Polish agricultural chamber, which explicitly acknowledged the importance of the rural development measures of the CAP, to some farmers' organisations in Spain that would like to see rural development policies excluded from the CAP, becoming part of cohesion policies. A variety of proposals to change the current structure of the CAP came from scientific bodies and NGOs.

On funding, only the UK central government and some scientists called for a drastic reduction of the EU CAP budget. Most governments, along with the farming organisations and NGOs argued in favour of a financially strong CAP. The new Member State governments in particular opposed any suggestion of increasing the burden on national budgets or, in their words, "renationalising" agricultural policy. They, like the farmers' organisations in the new Member States, strongly demanded a more equitable distribution of

funds, especially direct payments, between old and new Member States. By contrast, this call was more or less openly rejected by governments and farming organisations in the old Member States, which argued that only minor redistribution would be acceptable (in order to avoid significant market disruptions), and that it should be tempered by additional criteria such as the contribution of a country to the EU budget, or differences in purchasing power and production costs between countries. These positions undoubtedly reflect the fact that a 'fairer' redistribution of CAP direct aids, in EC terms, would require farmers in the old Member States to receive lower levels of support in order to enable those in the new Member States to receive more.

Direct Payments

Interestingly, not all governments of the ten countries had publicly expressed a position on the proposed capping of direct payments per farm, by March 2012. However, opponents included the Czech Republic, the German federal government and the UK central government who argued that it would impair competitiveness and increase bureaucracy. The German federal government additionally argued that direct payments serve as remuneration for public goods provided by small and large farms alike. The Hungarian government supported a condition that the funds generated by capping could be used according to national priorities. Government and administrative bodies in France suggested redistribution based on farm employment. Those mainstream farmers' organisations taking a position on this issue mainly opposed it, as having a negative impact on efficiency and impairing necessary structural change. However, farming organisations in Greece, like the Greek government, supported the capping proposal, as did some regional ministries in Spain and the UK, as well as various NGOs from all countries who also supported linking direct payment levels with farm employment. The proposal to limit direct payments to "active farmers" was opposed by a number of governments, on the grounds either that such a policy would have adverse effects on part-time farmers or as impractical, some suggesting that it should be optional for Member States. However, even those governments and farmers' organisations supporting such a policy in principle, criticised the proposed definition of "active farmer", either as too wide or as too narrow. Non-governmental organisations disagreed: while some, e.g. environmental and social NGOs in Poland, supported the limitation to "active farmers", others, like environmental organisations in Spain, argued that support should be granted to all "good stewards" of the land.

On greening, many governments, including Greece, Poland and Spain, argued that this would constitute an additional burden on farmers, create additional costs and impair the competitiveness of the EU agricultural sector. This opinion is in line with the view of mainstream agricultural organisations, which mostly fiercely opposed the introduction of seven per cent ecological focus areas as being counter-productive in a time of rising demand for food and biomass for energy production. Other governments, like Slovenia, principally accepted the proposal, but argued that the specifications were too rigid or should be adapted to national conditions. The UK central government questioned the environmental benefits of the policy proposals. Scientists from different countries mostly argued in favour of implementation of more targeted environmental policies via the second pillar. The intention of greening is strongly supported by most NGOs but, after the detailed legislative proposals were made public, many expressed disappointment as the obligations were seen as insufficient or counter-productive.

In many countries, such as Spain, France and Finland, governments wish to be able to support certain sectors with coupled payments; while in Hungary, Greece, Slovenia and Poland, additional support to small farms is regarded as necessary.

Market Measures

Proposals to strengthen the role of producers in the food supply chain were broadly welcomed by governments and farming organisations. Opinions on supply management and intervention differed widely: some countries, like Spain and France emphasised the importance of supply management tools and intervention systems; others, like the Slovenian government, took a middle position – supporting the abolition of sugar quotas but seeking to retain existing wine planting rights. The UK central government argued in favour of a simplified system of market measures and to see all quotas abolished. This position is in line with the view of scientists from several countries, some of whom also emphasised the need to foster quality production. The abolition of export subsidies was demanded by the UK central government, the federal government of Germany as well as scientists and NGOs from several countries. Many NGOs demanded support for local food markets. NGOs from France and Spain, like their national and regional governments (and in Spain, also the farmers' unions), called for stricter environmental and social rules to be applied to imported food.

Rural Development

Different opinions were revealed on the appropriate focus of the second pillar. While mainstream farming organisations and some governments, such as in Spain, argued that the focus should be on agricultural competitiveness; others, like government bodies, scientists and NGOs from Poland, Hungary, Germany and the UK stressed the importance of integrated rural development measures and would like to see the LEADER approach strengthened. The need to ensure that an adequate share of second pillar funds is spent on environmental measures was stressed by NGOs from several countries. Some stakeholders, like government bodies, scientists and NGOs in Finland, welcomed the proposal to base compensatory payments on biophysical and/or climatic criteria, although only a few stakeholders expressed any opinion on that topic, while several government bodies and mainstream farming organisations opposed or questioned the approach. Better targeting of second pillar funds in general, as well as the simplification of the monitoring and evaluation process, was demanded by many.

Most governments supported the introduction of risk management tools within Pillar 2; only the UK central government stressed that this should be as only temporary support to private instruments. Temporary support was also favoured by scientists in France and Germany. NGOs from Germany criticised the concept as this is seen to favour risky, input-intensive, high-yielding production methods and provide a disincentive for farmers to adopt precautionary measures.

What criteria influence stakeholder positions?

The range of opinions here is broad. At one end of the spectrum, debate in Spain or France is dominated by the call for strongly interventionist policies protecting European farmers from international competition and volatile prices; while at the other end, most stakeholders in the United Kingdom seek ways to efficiently target the CAP funds to the provision of public goods. The positions adopted by stakeholders were influenced by three main factors: firstly, their convictions about what the objectives of the CAP should be, especially how the European agricultural sector and the CAP can best contribute to global food security;

secondly, certain national or regional characteristics, including climate and farm structures, the political and administrative system and culture (such as the UK central government's strongly neoliberal tradition); and thirdly, specific sectoral interests, e.g. where the introduction of stricter environmental obligations is demanded by environmental NGOs and opposed by main farmers' organisations. The combination of these factors with the balance of stakeholder influence in each national context explains much of the variation discussed above, also highlighting the relatively immutable character of the reasons behind the emerging conflicts of opinion.

Notwithstanding these conflicting positions, discussions at the March 2012 conference attended by representatives from 14 Member States and a variety of stakeholder interests, explored areas of common ground. It drew attention to the following issues and open questions. Firstly, the greening of direct payments was seen by many to have positive potential for the environment, as it could ensure that even intensive production systems are reached by some kind of environmental commitment and as such, it could help to establish a firmer baseline, i.e. a new higher reference level, to supplement with targeted measures in pillar two. It was suggested that greening obligations could contribute to important goals like soil conservation, limiting the emissions of pollutants into ground and surface waters, as well as greenhouse gas emissions, and protecting biodiversity. The capping of direct payments was widely agreed to have no major effects on most farmers' incomes, but likely effects on farm structures and employment, e.g. large farms might be split up, or more people employed (for example by replacing contractors by salaried employees, or reducing the use of casual labour). While many participants agreed with the intention to achieve greater redistributive justice and improve societal acceptance of the CAP, the capping of direct payments was judged inappropriate for this purpose. Similarly, the proposed definition of "active" farmer was criticised as badly targeted (risking the unfair exclusion of part-time farmers or good stewards of agricultural land, such as landowning environmental NGOs) and increasing bureaucracy. Suggestions were to leave the definition to the Member States or make better use of already existing legal possibilities to achieve these aims.

Regarding pillar 2, despite an overall positive assessment by conference participants, some fears were raised. It was noted that greater flexibility for Member States (elimination of the axes-structure and reduced minimum spend requirements) poses some risks, e.g. in countries lacking efficient evaluation systems, as well as providing opportunities to tailor programmes more specifically to national/regional needs. Some suggested the integration of EAFRD into the common strategic framework and the multi-fund implementation of the LEADER approach might lead to rural development marginalisation. Others suggested the new emphasis upon innovation might stimulate only rebranding exercises instead of creating new approaches. Changes to co-financing rates create a danger that countries or regions affected by the economic crisis might not offer certain measures anymore, or the LEADER approach might be misused in order to obtain more EU funds.

From the comparative analysis and conference discussions, it was possible to identify an emerging consensus position. Some redistribution of aid between Member States and some form of greening appeared likely to be accepted; subject to the significant toning-down of redistribution that already took place between the November 2010 communication and the October 2011 draft legislation, and on condition that greening elements are simple to implement and acceptable to the farm lobby, while retaining sufficient credibility with the environmental lobby. By contrast, the capping and 'active farmer' notions seemed unlikely to

survive as commonly defined rules at Community level. The pillar 2 proposals appeared likely to survive largely unchanged.

Nevertheless, while Member States continued to argue over the scale and the details of greening and redistribution, significant scope clearly remained for last-minute changes and specific Member State ‘sweeteners’ to be added to the basic package, as the Commission and Presidency sought agreement in the Council and with the Parliament. Options included special budgetary treatment; derogations from the maximum threshold for coupled payments; more flexible greening options and delayed introduction of new cross-compliance.

4. Political-economic Analysis

This comparative exercise demonstrates how, despite the fact that the sectoral positions of the main stakeholders exhibit some predictability and consistency across different countries (e.g. farmers want to retain funding, environmental NGOs want more funds and stronger obligations to achieve environmental goals, etc.), the contrasting national (and regional) contexts within which the CAP ‘plays out’ have an important impact upon the negotiating stance adopted by Ministers in Council and, to a lesser extent, the positions held by Members in the Parliament. So for example, the perceived importance of the dairy sector for the region of Wales, UK, led to a strong call to resist the move to a flat-rate area payment here, as the redistributive impact for this territory would take CAP funds from dairy farmers and give them to more marginal sheep and beef farms. Indeed in most cases, it is the redistributive impacts of the package which appeared to fuel the strongest resistance, perhaps reflecting the inevitable political challenge of securing a ‘robin hood’ shift of support from the (relatively) rich to the poor, disrupting patterns of relative CAP funding which have been established and more or less maintained for 20 years, in the EU-15.

Thus, while the CAP reform rhetoric in Brussels was clearly new, and driven by a Commissioner for whom intra-European equity appears to be at least as important as considerations about EU-external trade relations and environment (in contrast to his predecessors), a strong degree of path-dependency is evident in the outcome of this process. Returning to the simile which inspired our analysis, we consider that in this debate we see new ideas (Mr Ciolos’ ‘new wine’) being considerably stifled, or at least largely re-framed, by the old ‘bottles’ of established stakeholder and Member State modes of thinking and ways of working – the new wine is constrained to be bottled and re-presented in the same form as before, thereby considerably weakening its potential to change the status quo.

Taken at face value, the Commissioner’s CAP reform package can be characterised as a model for redistributing and thereby ‘legitimising’, in the eyes of its citizens, EU aid to agriculture, environment and rural development. As such, it might have had potential to meet many stakeholders’ concerns. However, our analysis is less optimistic. The Commission and successive Presidencies (particularly the Irish, who engineered the main ‘deal’ in June) spent much of the last year ‘softening’ the original model with a variety of modifications, in order to create a package to suit a whole variety of domestic agendas and ‘special cases’, and to keep at least the larger Member States satisfied with what they were offered. The draft legislative proposals already softened considerably the Commission’s original stance on redistribution between Member States, as set out in the CAP communiqué of 2010 and subsequently discussed by the Commissioner. Greening is now reshaped, partly weakened and redefined from negotiations in Council and Parliament, in ways which add both variability but also complexity to its implementation across the EU.

Taking stock, the suggested ‘consensus’ position that we tentatively identified at the end of section 3, much of which is now agreed, nonetheless represents a package with some key developments compared to the present policy. Firstly, the reformed CAP will constitute a two-pillar toolkit in which *both pillars pursue similar goals*, rather than each pillar having quite different kinds of goal (pillar 1 income support, pillar 2 transformative rural development), as previously seen. Secondly, the new CAP framework will exhibit stronger *coherence with other EU funding policies* – although whether this will result in better co-ordination and synergy on the ground remains uncertain. Thirdly, the emerging policy can be seen as making a more explicit statement to the rest of the world, particularly in the context of a stagnant Doha round and a global preoccupation with broader economic challenges, that *Europe will continue to protect its farming and its food production* for the foreseeable future. Perhaps this point has long been implicit in EU actions despite the neoliberal rhetoric, but the first two points appear to break with the past.

One final point concerns the now considerably increased scope for national divergence from a common model, in how CAP aid is designed. Whilst the agreed package still shares a common set of goals, main tools and procedures for implementation and review, it gives perhaps the greatest scope yet for Member States to make their own choices as to the appropriate balance between instruments and funding allocations, subject only to some overarching minimum spends on certain goals and approaches. This phenomenon represents a significant extension to the pattern which has been developing in successive CAP reforms since 2000, when the launch of the second pillar made an explicit commitment to a ‘menu-based’ approach for rural development. Today, the menu clearly applies to both pillars.

5. Conclusions

In conclusion, we consider how the ‘hybrid’ that has emerged in the reform agreement is likely to deliver against the Commission and Commissioner’s stated goals. The implications of the EU budget settlements for 2014-2020 are then taken into consideration.

The two themes that have endured, from the EC perspective, are those of redistribution and of greening. Redistribution was probably Mr Ciolos’ primary concern, derived from his keen understanding of how the CAP looks to the new Member States and how, almost eight years on from the date of accession, most of these nations still receive modest levels of farm income support by comparison with the EU-15. The problem with redistribution is that it could not occur without losers and, when your losers are traditionally the more powerful EU-15 Member States, your room for manoeuvre is severely limited by what sweeteners you are able to offer, in return. In the particular case of the UK, the task should be easy – give them opportunity for more pillar 2, since they like this much better than pillar 1 – but in France and Germany, redistribution as a model had to offer some prospect of increased fairness or justification within national boundaries, to be acceptable to stakeholder communities. As the proposals on active farmers and capping amply demonstrated, this could produce a highly differentiated and/or complex model. In the end, only capping has survived but in a much reduced form which will enable different Member States to adopt a variety of approaches (particularly to avoid problems in Germany where its largest farms by area are those in the east, which are seen as especially needing support). And even the UK is unhappy because a larger pillar 2 depended upon sustaining very high modulation rates which proved unacceptable to others around the table.

In respect of greening, this was proposed by the Commission perhaps because it harked back to the underlying rationale of the CARPE model (Buckwell et al, 1996), to decouple the policy and re-legitimise its instruments in the context of the stated expectations of EU citizens. It also played well in the international arena - even the strongly neoliberalist OECD accepts the principle of public payments for public goods. However, it seems less the personal inspiration of the Commissioner, who was at pains to stress the options for Member States to minimise the impact of the greening architecture upon farm output and land management costs. As such, therefore, greening sought to offer a palliative to those Member States that were still on a trajectory of liberalisation, whilst attempting to avoid rejection by others seeking to capture a better share of the overall funding. In the event, however, it seems to have failed to meet either the main concerns of environmental stakeholders, who would have wanted something much stronger, nor the concerns of farmers and governments in many new Member States seeking a simple system which would not negatively affect modernisation and investment, in the years ahead. Of course, simplicity need not mean *uniformity* and indeed greening offers implementation choices to the Member States. However, because of the need to demonstrate 'equivalence' where the basic obligations are not applied, it remains to be seen whether any country will choose this superficially more flexible option. In any case, the greening of Pillar 1 seems inevitably to require the introduction of more complexity into the system, which works against the Commission's original stated aim for greater simplicity..

Our discussion would not be complete without consideration of influence of the EU budget debate. Prior to the final agreement, we postulated that a 20% or greater cut to the CAP budget might force countries to focus more on their main priorities. Thus, new Member States might seek to focus their resources on levelling the playing field in respect of pillar 1 aids, while EU-15 countries might be tempted to push for stronger greening, to ensure the survival of valued farming systems and cultures (e.g. High Nature Value areas). Together, these responses could lead to a marked contraction in EU pillar 2 spending, and a shift of pillar 1 resource to more economically-marginal and/or more environmentally-rich areas, across the EU-27. To some extent, key elements of the Pillar 1 package would be retained, but the main loss would be in respect of Pillar 2 rural development, as proved to be the case in previous reforms. In the event, we have seen both a fairly significant reduction in the overall CAP budget and the retention of the basic priorities in the reform package without a dramatic cut in Pillar 2 overall, but with marked variation between winners and losers in respect of national Pillar 2 allocations (from a 44% cut in the UK to a 30% rise in France – see Agra Europe, 2013). Furthermore, because of the extended principle of fund-switching in either direction between the two pillars, Member States have additional ability to determine the balance of resources devoted to each pillar. So for example in Malta where Pillar 1 payments are cut to bring them more into line with the EU average, the government will use 'reverse modulation' of what was agreed as a relatively generous, 27% expanded Pillar 2 budget to ensure that key farm sectors can continue to be supported with coupled aid. By contrast, in England where the Pillar 1 budget will be slightly increased to be closer to the EU average, the government intends to apply maximum modulation into Pillar 2 to reduce the scale of cuts to its agri-environmental programmes (arising because of the reduced maximum modulation rate, compared to 2007-13). So, the basic rationale of the EU-level agreement becomes obscured by national-level implementation which diverges from this model.

Looking ahead to the potential impacts of the new policy, it is important to recognise that the perspectives and options discussed here may only reflect a proportion of the range of influential factors at play in the reform, as our survey was by no means exhaustive.

Nevertheless, as the Commission prepares to oversee the putting into place of the new policy and looks towards a review of the impacts of the package in 2018, it seems clear that it has given itself an ever more challenging task. Attempting to ensure that all Member States have made appropriate decisions concerning the design of their new CAP approach in line with the EU level goals, targets and principles will not be simple, and the scope for national choices to introduce increased inter-country tensions in markets and among stakeholder groups appears significant. Whether the Commission can cope effectively with this challenge, whilst retaining the support of the Council and Parliament, remains to be seen.

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Quotations from speeches by Commissioner Ciolos are from the European Commission's webpage - general link: http://ec.europa.eu/commission_2010-2014/ciolos/headlines/speeches/index_en.htm

Notes

1. Reactions of stakeholders towards the far more detailed legislative proposals published by the EU Commission in October 2011 could only be included in the reports if they were accessible at time of writing (September until end of October 2011). So, even if reactions to the legislative proposals were incorporated as far as possible, most of the analysed statements refer to the Communication of November 2010.

2. In addition to the nations included in the analysis, participants from the following countries were present: the Netherlands, Latvia, Belgium and Austria. As the conference took place in Germany, most participants were German. The next biggest groups of participants came from the Netherlands, France, Spain and the UK. The stakeholder groups represented best were the scientific community, as well as administrative bodies (national, regional and local levels). While some experts from public environmental agencies attended, only few representatives of NGOs were present. Also, only a relatively small number of farmers' organisations were represented.

Figure 1: Challenges and Objectives of the CAP

Source: European Commission, Directorate-General Agriculture and Rural Development, http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/slide-show_en.pdf (accessed 12.10.2011), p.11

