FOREWORD

This document is a summary of a final dissertation by Marie Imbs, agricultural engineer and trainee at the CPMR from March to April 2007. Its purpose is to support the CPMR’s work on the CAP following the General Assembly in Florence on 18 and 19 October 2007.

The full version of the dissertation is available in French upon request from the General Secretariat.

Experts contributing to this analysis, especially Vincent Chatelier, researcher at the French National Institute for Agricultural Research (INRA) in Nantes, are warmly thanked.

INTRODUCTION

The current cycle of multilateral trade negotiations at the WTO were launched in November 2001 following the Interministerial Conference in Doha with the aim of achieving final agreement before 1 January 2005. Further to the failure of the Cancun Conference in 2003 and then very limited progress at the Hong Kong Interministerial Conference in 2005 (notably owing to disagreements on agricultural issues), several informal exchanges, meetings and summits were organised in order to find common ground between the various international partners. However no specific deadline has been set, and differences still persist on the main points of discussion.

The CAP reform of June 2003 had been planned bearing in mind the future agreement on the Doha round of negotiations. It was an extra stage in the process of ensuring that the EU’s agricultural support instruments comply with WTO rules. It has been gradually introduced between 2004 and 2007, and, at the initiative of the European Commission, will be subject to a Health Check in 2008 to assess whether the results match up to the reform’s initial objectives.

In December 2005, the European Council invited the European Commission to undertake a complete and thorough reassessment of all aspects of EU expenditure, including the CAP. These factors, along with the end of the 2007-2013 financial perspectives, are likely to transform the CAP in the short and medium term.

Lastly, the fundamental challenge of global food security arising as a result of demographic growth – it is predicted that the world’s population will be 9 billion in 2050\(^1\) - the loss of cereal and milk production resulting from climate change and increased competition between food and energy production on farmland will inevitably reshape agriculture and global agricultural policies.

In this perspective, the CPMR would like to propose various options concerning possible changes to the CAP. The purpose is to determine the extent to which regional interests could be incorporated into discussions on the CAP’s Health Check, the end of the financial perspectives in 2013 and the international negotiations at the WTO. It is then necessary to assess the significance or implications of changes to the First Pillar that best meet with regional expectations. The approach adopted consists in estimating the impact of possible changes to the structure and amount of agricultural support on the regions.

\(^1\) According to Michel Griffon, in order to provide enough food to whole of the world’s population, it will be necessary to double current food production at global level, and there are varying needs and possibilities depending on geographical areas and comparative advantages.
This study was developed over several stages. In June 2007, the CPMR organised a Scientific Council meeting in Coimbra (Portugal), bringing together high-level regional officials and agricultural experts in order to clarify the issues and propose some areas for further analysis for this study. Then analysis of the impact of possible changes to support under the First Pillar was carried out through research into the structure and breakdown of support between CPMR regions. A database was thus developed using the Farm Accountancy Data Network (FADN) and an OECD indicator for European agricultural support prices that was applied to the regions.

The aim is to examine firstly the position of agricultural systems in each of the regions studied and secondly the breakdown of support for CPMR regions. The third part sets out to establish a typology of CPMR regions taking into account their economic dependency on the First Pillar. Some of the options for changes to farm support are mentioned in the last part.

The main strands of the 2003 reform

The 2003 reform has been gradually introduced between 2004 and 2007. The main features are:

i) a reduction in institutional prices in the dairy products sector (with the introduction, for the first time, of direct payments allocated per ton of quota), in the rice sector and in the sugar sector;

ii) the introduction of an entitlement to a Single Farm Payment (SFP) per hectare to replace pre-existing coupled or semi-coupled direct payments;

iii) making payments conditional upon compliance with 19 directives or regulations in the environment, animal safety, public health and food safety fields, and with good agricultural and environmental conditions (national or regional measures) and the protection of permanent grassland (ecoconditionality);

iv) the compulsory application of a system of modulation (with transfer of funds to the CAP’s Second Pillar, i.e., rural development).

So, since 2007, support for field crops, beef meat and sheep meat, for dairy farming as well as certain other products (potatoes, rice and olives) now takes the form of an SFP, under so-called decoupled support. This is no longer linked to the type of product, nor even to the act of production. This decoupling of support and production aims to help farmers manage their business according to market needs and their own competitiveness, while guaranteeing necessary income stability. Member states benefit from a certain subsidiarity with regard to decoupling, notably concerning the degree (partial or total) and the method used to calculate the SFP: historical model, regional model or hybrid model.

With the historical model, SFPs are fixed for each farm, depending on the direct support received during the 2000-2002 period, which was determined on the basis of grants received for animals or land area.

The alternative option for calculating SFPs based on the historical precedent of each farm is that of regionalisation. The aim is to ensure all producers (including those that did not receive grants during the period in question) who farm eligible land within a given area receive the same payment entitlement (Chatellier, 2006).

With regionalisation, the national ceiling is applied at regional level and not individually. The member states decide on the regions and then divide their upper national amount or ceiling according to “objective” criteria (Regulation (EC) No. 1782/2003, Article 58). Farmers have an entitlement whose unitary value is calculated by dividing the amount of the regional ceiling by the region’s number of eligible hectares, which means that this model introduces a redistributive dimension to support that is absent from the individual “historical references” model. Another version of the regional model is the hybrid model (a combination of the two methods of calculation) for which the degree of redistribution can be fixed (the static hybrid model) or increased progressively over time (dynamic hybrid model).

(See the appendix for details on the introduction of the 2003 in each country)
1. THE DIVERSITY OF THE REGIONS’ AGRICULTURAL PRODUCTION

1.1 The size of agriculture in the regional economy

With 50% of the EU’s utilised agricultural area (UAA), 50% of agricultural employment and over 50% of its agricultural production, CPMR regions account for a considerable proportion of EU agriculture. While in several OECD countries agriculture plays an important role in shaping rural landscapes, it is often of little and decreasing importance in rural economies. However, the economic influence of agriculture in European regions, when measured in terms of its contribution to the creation of regional wealth, displays geographical variations (the average in the EU25 barely exceeds 1%). Thus the majority of regions in the south of Europe contrast with the regions of the north with their high proportion of GDP coming from agriculture. They are generally focused on specialised production with high added value such as wine and/or fruit and vegetables).

1.2 Agricultural specialisation in CPMR regions

The regions’ agricultural specialisation of course depends on their respective competitive advantages (climate, topography, production system, etc.), but also changes in the CAP, which, due to its regulation mechanisms, affect agricultural production decisions. Changes in the CAP have thus helped to shape the current agricultural landscape.

- The Atlantic Arc: highly diverse regional agriculture

There are sharp regional differences between the regions of the Atlantic Arc. This includes both member regions from northern and southern European countries, in contrast to the areas covered by other geographical commissions.
The Mediterranean: predominantly fruit, vegetable and wine-producing regions

The agricultural production potential of the Mediterranean regions is mainly derived from wine and market gardening production, sectors that receive little direct support from the CAP.
- **The Baltic Sea: predominately dairy-producing countries**

The Finnish and Swedish regions are fairly homogenous in terms of the structure of their agricultural production, with a large focus on dairy production, a sector that has undergone extensive reform since 2004.

- **The North Sea: predominately dairy and field crop producing regions**

The North Sea regions are generally less specialised than the Mediterranean and Baltic Sea regions, and they are predominately producers of dairy products and food products.
This summary overview demonstrates the extreme diversity of farming in the different European production areas. The diversity was already significant in the EU15 countries, between the Mediterranean countries and northern ones, but it has become much greater since the accession of the ten new member states in 2004. The diversity of situations between member states comes on top of sharp regional differences within certain countries (Germany, Spain, France and Italy). While the CAP’s regulation instruments are still relatively unified at EU level, and bearing in mind what has been undertaken in the CAP reform of June 2003, this diversity of situations could justify a progressive strengthening of the principle of subsidiarity. While such a development may seem necessary to enable countries and their regions to develop a targeted response to the needs of their farming industry, it may in time also undermine the very principle of a common policy.

2. EVALUATION OF OVERALL SUPPORT FOR AGRICULTURE IN CPMR REGIONS

Agricultural support for producers can be divided into two categories:

- financial support
- market price support

- 80% of financial support is devoted to direct payments (DPs) to producers, which are financed by the European Agricultural Guidance and Guarantee Fund (EAGGF). The level of these payments is determined by factors such as the land area farmed or the number of heads of livestock. Since 2003, the majority of support is granted in the form of a single payment calculated on the basis of references corresponding to the grants received during the 2000-2002 period. This support is evaluated in the regions using information taken from the European agricultural database (FADN).

- Market Price Support (MPS) is the difference between world price and the European price for agricultural products. The support takes the form of the high European price received by the farmer.

The breakdown of overall support (MPS+DPs) is very unequal at regional and national level. It varies in accordance with production preferences and the number of farms and size of businesses. The amounts granted mainly benefit, in decreasing order, French farmers (22%), German farmers (16%), Italian farmers (10%), British farmers (9%) and Spanish farmers (8%). These five countries account for 50% of professional agricultural businesses and over 65% of overall EU support.

Generally speaking, the breakdown of average overall support per farm between the regions reveals a clear downward north/south tendency. The amount of support varies from €750 in Liguria (Italy) to €250,000 in the former East German Länder (owing to the huge size of farms), with the EU average being €18,000. The amount is less that €10,000 in 28 regions located in the four main Mediterranean countries (Spain, Portugal, Italy and Greece). On the other hand, it is over €50,000 in the north-western quarter of France, certain Swedish and Finnish regions and the UK (not including Northern Ireland, where the average is €40,000). Wide disparities furthermore exist within member states, notably in Italy, Spain, France and Germany.
To limit the "size" effect, the amount of support has been calculated per hectare. On this basis, the analysis shows that regions specialised in intensive agriculture benefit more.
Similarly, if support is calculated in terms of agricultural work units (AWUs), the order of regions changes.

Generally speaking, the breakdown of direct support and price support shows that the biggest beneficiaries are northern regions, where the three agricultural preferences are field crops, beef cattle and dairy cattle. These three types of production account for 70% of overall EU support. At the other end of the scale, southern regions are generally specialised in production areas that receive very little direct support (wine-growing, market gardening and tree crops).

The uneven distribution of overall support among CPMR regions is largely explained by the diversity of EU agricultural specialisation and the CAP's intended focus on certain sectors. The CAP exacerbates interregional disparities and fails to improve cohesion between the regions. It of course provides compensation for a profession that earns incomes that would otherwise be much lower than the average of other incomes. However, it above all benefits the most prosperous farms and regions. Overall support from the First Pillar strengthens the initial advantage of the most productive regions, notably to the detriment of Mediterranean regions, by giving massive support to certain sectors in proportion to the quantities produced. Ultimately, the reforms of 1992 and 1999 did not lead to any redistribution, which might otherwise have improved territorial cohesion. The reform of 2003 again confirms this regional distribution of support, notably by setting the amount of decoupled aid in accordance with historical references in the majority of member states, and by capping support for the Second Pillar at only 10% of the CAP's budget for 2000-2006 (around 20% for 2007-2013). It is thus necessary to look at other possible equalisation mechanisms.

3. IMPACT OF THE FIRST PILLAR ON THE PRESERVATION OF AGRICULTURAL ACTIVITIES IN EUROPEAN TERRITORIES: A TYPOLOGY OF CRPM REGIONS

The importance of the First Pillar for the preservation of agricultural activities can be measured by the level of farms' economic dependence on it. The indicator used is the ratio between overall support and the gross operating surplus (GOS). This is the best indicator of a farm’s economic health as it is harmonised at European level. This ratio averages 60% across the EU as a whole, although it varies greatly between regions. Its quantile classification reveals a North/South divide.
Generally speaking, farms have little economic viability without the First Pillar. A reduction in this support would have a considerable impact, notably in northern European regions.

The liberalisation of agricultural markets initiated by the international negotiations seems to be leading to an inevitable weakening of the CAP’s First Pillar. However, a reduction of this support would have a considerable impact, to a greater or lesser extent depending on the regions concerned. The strand of the First Pillar that is most vulnerable to reduction in the near future is support for market prices as a result of the current WTO negotiations (reduction in import tariffs, export subsidies and trade-distorting support\(^2\)). However, budgetary support for the CAP, which has already been capped for the 2007-2013 period, is also already being questioned in the European debate.

So it is appropriate to extend the economic dependence analysis further by distinguishing between farms’ economic dependence on direct payments and their dependence on price support. This will help determine more precisely the regional impact of a reduction in the First Pillar. The following map provides a breakdown of the regions according to the structure of their economic dependence. This analysis is interesting because it shows how economically viable the regions would be if funding support or market price support were to be reduced. On the basis of the observations made in this analysis, it is possible to identify a number of interest groups for whom the issues either depend more on the international negotiations or on the European budget negotiations.

\(^2\) Trade-distorting support is support that has an impact on world prices. This is the sort of support challenged by the WTO which must disappear in the future.
Seven interest groups have been identified:

- Group 1 is characterised by a very high level of dependency on MPS (farms that compete poorly on the international market) and direct payments. A reduction of the First Pillar would have a major impact on these regions, for whom there are issues at stake both as far as the conclusion of WTO negotiations and the revision of the 2008/2009 and post-2013 budget are concerned.

- Group 2 is also extremely dependent on MPS (about 60% on average) but the importance of DPs in the creation of income for farmers is lower than for the first group (38% on average). These regions are mainly specialised in dairy and pig production, sectors that are big beneficiaries of price support.3

- Regions in Group 3 have a major interest in defending the EU’s agriculture budget.

- Regions in Group 4 are generally less dependent on DPs and, to a lesser extent, on MPS (the average MPS/GOS ratio is 40%) in comparison to the first three groups. The most evident issues at stake for these regions lie in the outcome of the WTO negotiations.

- Group 5 includes regions whose agricultural income is dependent on both MPS and DPs, but to a lesser extent than for the preceding groups.

- Group 6 includes a large number of Mediterranean Spanish, Italian, Greek and French regions, which are broadly specialised on the production of permanent crops. Generally speaking, the agricultural sector in these regions is more competitive and any reduction of the First Pillar would be coped with more easily.

- Lastly, regions in Group 7 are notable for their very low level of dependence on the First Pillar.

Generally speaking, the regions’ heavy dependence on MPS suggests that if they had to cope with future reductions in import tariffs and intervention prices, new compensatory direct payments would have to be introduced. However, the notion of further budgetary compensation is made difficult by the lack of room for budgetary manoeuvre offered by the financial perspectives (after the 2008/2009 and post-2013 budget review). This suggests that the member states will have to compensate for the loss of income by providing national subsidies, with the danger that the CAP would thus be renationalised.

3 This result could however change bearing in mind the situation regarding world prices in the dairy sector and changes made to the milk CMO.
4. OPTIONS FOR CHANGES TO FARM SUPPORT

While regional interests do not seem to be converging, it nevertheless seems that the CPMR regions could adopt a common approach, namely concerning the strengthening of interregional and intraregional cohesion through a readjustment of subsidies granted to farmers. To reduce distorting EU support, MPS could be reduced. This is actually the support that is least consistent with territorial cohesion. Such a reduction would then need to be compensated by direct support to maintain stable and sufficient agricultural income, to guarantee that agricultural production can provide sufficient food supplies and meet the public desire for territory to be occupied. Several equalisation systems for direct support can be launched for the benefit of interregional and intraregional cohesion. Some have already been implemented since the reform of 2003.

- The mutualisation of direct support through the setting of payments at regional level

This system has been in place since the Luxembourg reform, when five member states opted for the Single Farm Payment (SFP) calculation (see appendix) based on the regionalised model. Regionalisation of the calculation of the unitary value of the direct payment part of SFPs is undoubtedly the system with the biggest redistributive effect, in comparison to individual historical references. Indeed, within regions themselves, this system promotes the redistribution of direct support between farmers, with those that have in the past had a single payment amount per hectare higher than the regional average being penalised to the benefit of others.

However, this system would be difficult to introduce in regions with a wide range of agricultural production systems because it would lead to extensive redistribution of support, thus generating the risk of an active confrontation between different categories of farmers. Regionalisation could furthermore be called a “green” system, because it promotes environmentally-friendly extensive farming to the detriment of intensive farms which put pressure on the environment. While the main advantage of regionalisation is linked to the redistributive effects that take place between different categories of farmers within given regions, it does not offer any opportunity to redistribute funds between regions and thus entrenches previous regional disparities. To make up for this disadvantage, the payment amounts per hectare can be set at national level.

- The mutualisation of direct support through the setting of payments at national level

The setting of subsidies for equivalent hectares across whole countries would, simply speaking, be determined by dividing the national ceiling by the number of eligible national hectares. In the same way as regionalisation, this system leads to redistribution of support between different categories of farms, but it has the extra advantage of bringing about a redistributive effect between well-suited regions, and contributes to interregional cohesion. This procedure can most easily be implemented (because there are fewer redistributive effects) when there is a high degree of homogeneity across intraregional and infraregional agricultural systems (concerning their production intensiveness, diversity of agricultural preferences, etc.). However, there are major structural and sectoral regional differences in Germany, France, Italy and Spain.

So the introduction of this system in the member states could have an effective redistributive impact. However, the setting of subsidies at either regional or national level would not help to break the link between the amount of decoupled payments received by farms and their size in hectares. In other words, the mutualisation brought about by this type of system is limited. This analysis is particularly true since the reform in 2003, because farmers, whether they have a big farm or not, are not obliged to produce anything in order to receive decoupled payments.

This study precisely shows that farm support has become necessary to guarantee the income of a great number of European farmers. In such an economic context, it would be difficult to try to make big cuts in the short term. However, this dependence must not be an obstacle to the debate on how to shift funds away from management of markets to rural development.

The view that the balance of the CAP depends on the coordination of its two pillars, which have been duly organised in order to reconcile the expectations of society with the problems facing farmers in the best way possible, could constitute a suitable framework for thinking about changes to farm support. These pillars are not opposed to one another and are indeed complementary. Each pillar has its own tasks and, each in their own way, they both strive to preserve a multifunctional agricultural sector.

On one hand the First Pillar is vital, because the European agricultural model has a cost: occupation of the whole territory by small and medium-sized farms (in comparison with those of other developed countries),
and the guarantee of a high level of food safety and quality products. On the other hand, the First Pillar seems vital because farmers will not be able to fulfil the multiple territorial and environmental functions given to them by society if the level and stability of their income is solely dependent on the market (farms would become more intensive if the First Pillar were to be reduced). Thus from this point of view, the First and Second Pillar can work together to achieve a common objective.

Bearing in mind the social dimension of the debate on agricultural support, it seems difficult to avoid changes to the way payments from the First Pillar are shared out. While the justification for subsidies is increasingly linked to the volume of production (decoupling) and more on other criteria, the historical production references used for calculating them lose their relevance. Furthermore, production sectors and regions that receive a low level of support rightly want to readjust their distribution on the basis of new criteria such as the contribution to maintaining vibrant rural areas and the protection of biodiversity.

It would therefore be fitting to provide grants:
- on one hand for support coupled to the production of public goods (landscape, preservation of natural resources) in the framework of the Second Pillar;
- on the other hand, in the framework of the First Pillar, decoupled direct payments (total compensation for the reduction in support by distorting prices by direct payments), in order to guarantee a stable income for farmers to enable them to cope with new global challenges (climate change, liberalisation of agricultural markets, etc.).

A certain level of re-coupling could be allowed, but only for “sensitive” products in order to avoid the definitive abandonment of farming in vulnerable areas. Lastly, these payments could be mutualised at national level and modulated on the basis of criteria in line with cohesion objectives such as the agricultural job creation.

CONCLUSION

The regional effects of the amount of overall support are closely linked to the agricultural production developed, the economic dimension of farms (size, degree of production intensity, etc.) and the location of farms (reference yield, varying national grants depending on the member states). The diversity of agricultural situations in the European regions and CAP support distribution mechanisms generate considerable inequalities between the regions and between regional agricultural workers within regions themselves. A North/South divide thus emerges from the analysis. The 2003 reform maintains this regional distribution of support by setting the amount of decoupled payments on the basis of historical references in the majority of member states. The Second Pillar cannot “rectify” the disparities: this is not its task, and its budget, cut back during negotiations on the financial perspectives, does not give it the means.

It follows that no cohesion objective has been included in the CAP during the successive reforms. The probable integration of territorial cohesion among the EU’s objectives in the forthcoming Treaty makes it possible to hope for changes concerning the way funds are distributed under the First Pillar, for example concerning the mutualisation of support at national level and their payment according to criteria designed to improve the redistributive effects.

The CPMR regions are also unequal concerning the proportion of support that goes to paying farmers in the First Pillar. While it seems difficult to develop a joint position that would satisfy all of the regions concerning this economic criterion, regional groups have emerged as a result of their interests concerning changes to the First Pillar.

It is difficult to contest the fact that the First Pillar is necessary for the maintenance of agricultural activity in many regions. It is also essential for European food supplies and constitutes a key issue for all regions and consumers.

The increasing inclusion of environmental concerns in public debates suggests that the Second Pillar could be given a bigger budget when the PAC’s Health Check has taken place and after 2013. The contribution of public funds under the rural development budget would achieve the best possible impact if the grants were coupled with the production of public goods. In this context, the regions could play an essential role in identifying the potential environmental services farmers could provide. In budgetary terms, regionalisation (as a transfer of powers) raises the issue of interregional cohesion, bearing in mind that local authorities have unequal resources, and support is no longer managed by national governments that are able to guarantee a degree of redistribution, even in relative terms, between the regions.
**APPENDIX**

Choices made by the member states when implementing the Luxembourg reform

<table>
<thead>
<tr>
<th>Year of application</th>
<th>Mode for determining entitlement</th>
<th>Re-coupling rate</th>
<th>Use of Article 69 (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany 2005</td>
<td>Dynamic hybrid</td>
<td>25% hops; 60% tobacco; 60% potato starch</td>
<td>No use</td>
</tr>
<tr>
<td>Denmark 2005</td>
<td>Dynamic hybrid</td>
<td>75% bulls; 50% sheep</td>
<td>No use</td>
</tr>
<tr>
<td>Spain 2006</td>
<td>Historical</td>
<td>25% field crops, 40% slaughter; 100% suckler cows; 50% sheep; 100% seeds; 100% products from remote regions</td>
<td>7% of ceiling for beef meat and 10% for the dairy sector</td>
</tr>
<tr>
<td>Finland 2006</td>
<td>Dynamic hybrid</td>
<td>75% bulls; 50% sheep; 60% potato starch; 100% seeds; 50% sheep</td>
<td>2.1% of ceiling for COP products et 10% for beef meat</td>
</tr>
<tr>
<td>France 2006</td>
<td>Historical</td>
<td>25% field crops, 100% suckler cows; 40% cattle slaughter; 100% calf slaughter; 50% sheep and goats</td>
<td>No use</td>
</tr>
<tr>
<td>Greece 2006</td>
<td>Historical</td>
<td>25% field crops; 40% durum wheat; 100% suckler cows; 40% slaughter; 50% sheep; 35% cotton; 60% tobacco</td>
<td>10% of ceiling for COP products and 10% for beef meat and 5% for sheep/goat meat</td>
</tr>
<tr>
<td>Italy 2005</td>
<td>Historical</td>
<td>No re-coupling</td>
<td>No use</td>
</tr>
<tr>
<td>Netherlands 2006</td>
<td>Historical</td>
<td>100% suckler cows; 100% calf slaughter; 40% slaughte; 100% linseed oil</td>
<td>No use</td>
</tr>
<tr>
<td>Portugal 2005</td>
<td>Historical</td>
<td>100% suckler cows; 100% calf slaughter; 40% slaughter; 50% sheep; 100% products from remote regions</td>
<td>1% of ceiling for COP, rice, sheep/goat/beef meat</td>
</tr>
<tr>
<td>UK 2005</td>
<td>Hybrid and historical (1)</td>
<td>10% of ceiling for beef meat</td>
<td></td>
</tr>
<tr>
<td>Sweden 2005</td>
<td>Static hybrid</td>
<td>75% bulls</td>
<td>0.45% of the ceiling for bulls</td>
</tr>
</tbody>
</table>

(1) England has chosen a dynamic hybrid model, whereas Northern Island has opted for the static hybrid model. Scotland and Wales have chosen the historical model.

(2) The member states can use Article 69 of Regulation 1782/2003, which enables them to hold back a percentage of the funds for each sector in order to finance environmental and quality-related programmes.

Very broadly and simply, two main interest groups can be identified from the choices made when implementing the SFP scheme.

Northern member states (Germany, Denmark, Finland, Sweden and the UK) support a return to a market indicators and liberalisation of the farm sector along the same lines as other industrial sectors, and the retargeting of the CAP on environmental objectives (by giving priority to the Second Pillar of the CAP to the detriment of the First Pillar). This group (aside from Scotland and Wales) has opted for a hybrid system for implementing SFPs, which has led to a redistribution of direct funding support between farmers in order to boost the legitimacy of EU subsidies in the eyes of public opinion. This interest group, the “liberal greens”, is divided into two groups depending on the degree of re-coupling chosen and the approach pursued (redistributive versus allocative approach).

The southern member states (Spain, Greece, France, Italy and Portugal) share the first group’s environmental concerns but believe it is essential to preserve productive activity in the regions. This interest group gives particular importance to the CAP’s productive function and the need to guarantee food security by maintaining the First Pillar and community preference. It has opted to adopt only a minimum number of innovations introduced by the 2003 reform and to maintain the distribution of subsidies by opting for the historical model.