Economic and Environmental Impacts of CAP Greening: CAPRI Simulation Results
Abstract:
In this report we analyse the economic and environmental impacts of CAP greening introduced by the 2013 CAP reform. We use the CAPRI farm-type layer, an extension of CAPRI by farm group module capturing farm heterogeneity across the EU. Its main advantage in the context of our analysis is that it allows the current implementation of the CAP greening measures to be depicted in high detail, while also capturing the environmental effects and the market feedback of the simulated policy changes. The simulated results reveal that the economic impacts (land use, production, price and income
changes) of CAP greening are rather small, although some farm types, sectors (fallow land and pulses) or Member States may be affected more significantly. Simulation results show that the CAP greening will lead to a simultaneous small increase in prices and a small decrease in production. The latter impact is due to the greening obligations that require farms to take out of production a small share of land and to the slight reduction in farm productivity driven by the land reallocation effects of greening measures. Farm income slightly increases because the price effects offset the production decline. The results indicate that EFA and grassland measures tend to induce slightly higher economic effects relative to the crop diversification measure, nevertheless some variation across crops and economic indicators is observed. Similarly to economic effects, the environmental impacts of CAP greening are small, although some regions may see greater effects than others. In general, effects at EU level are positive on a per hectare basis, but the increase in UAA can reverse the sign for total impacts. Overall, simulated GHG and ammonia emissions decrease in the EU, while the total N surplus, soil erosion and biodiversity-friendly farming practices indicator slightly increase due to the CAP greening. The crop diversification measure tends to have the lowest environmental impacts, while the grassland measure has mixed (both positive and negative) effects on the reported environmental indicators. The EFA measures have positive impacts on most environmental indicators, except for soil erosion.

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