

## *Summary of Conference Proceedings*

# **The Common Agricultural Policy and the Environmental Challenge – New Tasks for Public Administrations?**

Maastricht, 14-15 May 2001

*Pavlos Pezaros, Martin Unfried, Vincent Roza  
and Annemieke Den Teuling*

The above seminar brought together senior officials from the European Commission, with academics, researchers and senior experts from national administrations, who shared their views with the 40 participants from all the Member States and the Candidate Countries.

### **The environmental dimension of the CAP**

Opening the seminar, Pavlos Pezaros (EIPA) observed that the relation between Agriculture and the Environment is currently at the top of the EU agenda, together with the issue of food safety. The radical change brought about by the 1992 reform of gradually shifting support from prices to direct payments was also a turning point in raising the environmental dimension of the policy. Not only were certain environmentally friendly measures incorporated into the Market Organisations for the first time, but an integrated agro-environmental package was also introduced to accompany the market measures. In this respect, the 1992 reform was a first but rather insufficient step, and the speaker mentioned in particular the special Report of the Court of Auditors on the subject. The Agenda 2000 reform reinforced agro-environmental measures and made environmental protection requirements a part of the Rural Development Strategy, which was incorporated into the CAP. The reform also stimulated further the environmental elements of markets, and mention was made in particular of the innovations introduced (national envelopes, cross-compliance and modulation) and their potential benefits to the environment. However, by adopting the innovations on an optional basis, the final agreement made the whole reform environmentally less ambitious than originally proposed by the Commission. During the discussions, participants raised many questions regarding the obvious contradictions that still exist in the policy itself and in

its relation to the objectives of other EU policy areas. A constructive debate followed on the further steps that were expected concerning the full integration of environmental protection into the CAP, in relation to other issues (trade, WTO negotiations, food safety, enlargement, etc).

### **The view of the Swedish Presidency**

Christer Wretborn, representing the Swedish Presidency, stated that the concept of sustainability should be integrated into European agriculture. He mentioned that according to the "Cardiff process", the Agriculture Council had to develop a comprehensive strategy for the full integration of environmental concerns into the CAP. The issue will be on the agenda of the Göteborg Summit in June 2001. Some remaining weaknesses are related to the fact that the reformed CAP has not reduced the high costs of production, the structures are still as they used to be, with land prices being very high, a factor that also leads to intensification. Prices which are high kept artificially lead to waste, while the CAP reduces the risk-management of farmers, hence leading them to non-scheduled specialisation of production in order to remain competitive. During the discussion the question of multifunctionality was raised. Mr Wretborn pointed out that there was a need for further discussion of what exactly is meant by multifunctionality and how the concept can be supported.

### **Rural development and environment – the Commission's view**

Nelly Bandarra, DG Agriculture, gave an outline of the link between rural development, the CAP and the environment. She explained that regional programmes and policies had so far been a crucial instrument. Cross-compliance seemed to be the most promising approach. She mentioned, however, that the implementation of the programmes introduced by the 1992 reform could not be considered a failure, but rather "half a success". The reforms followed two approaches: on the one hand, farms' obligatory compliance with certain conditions (regarding levels of pollution, standards of hygiene and

\* Associate Professor, EU Policies and Internal Market Unit (III), EIPA, lecturer, European Public Management, Unit (II), EIPA, assistant in EU Policies and Internal Market Unit (III), EIPA, and assistant in EU Policies and Internal Market Unit (III), EIPA, respectively.

animal welfare) and on the other, the agri-environmental package included in the rural development policy the provision of aids on the basis of additional payments for costs incurred and potential income lost. With respect to financing, Ms Bandarra inter alia explained that agri-environmental measures count for 44% of the rural development budget, and 4% of the total EAGGF (European Agricultural Guidance and Guarantee Fund).

### **Views of farmers' organisations**

The different views of two European Farmers' Associations were presented by W.H. Streekstra (LTO Nederland, COPA) and Gérard Choplin (CFE). Mr Streekstra stated that his organisation is focusing on two major issues at the moment: liberalisation and enlargement. The first will force farmers to lower costs and increase production through higher levels of mechanisation, whilst society's demands for better environmental conditions will push up production costs. LTO (and COPA) propose rewarding good agricultural practice with a cross-compliance mechanism. In the field of animal welfare and landscape, farmers should be granted certificates, and COPA would like to see the introduction of a Common Agricultural Environmental Policy. LTO (COPA) also advocates risk management in order to buffer world prices through two mechanisms, namely income insurance in addition to direct payments. Mr Choplin, representing "Coordination Paysanne Européenne", pointed out that his organisation is critical of the CAP as a whole. There was a need to reform the system as the EU had so far never shown the political will to do away with over-intensification. Both the 1992 CAP reform and Agenda 2000 focused on intensification. In his view, intensification is not only harmful to the environment, but it also encourages the export of surpluses to Third World countries destroying their regional markets. In the discussion it was pointed out that CPF's views were too fundamentalist/radical and it was questioned whether the people really wanted a shift from the production of large quantities of food. Mr Choplin stated that the issue of whether in the future there would be agricultural production in Europe at all was also a political decision.

### **The situation in Central and Eastern Europe**

Jaroslav Prazan, from the Research Institute of Agriculture Economics (CZ), mentioned that agricultural structures in CEECs have changed in that a predominance of publicly owned centrally planned state farms and co-operatives has now given way to more privately owned corporate farms and family farms. Before 1990, farmers in the Czech Republic received much support that led to the excessive use of fertilisers and pesticides, which resulted in the contamination of waters, frequent erosion, and a loss of landscape. The loss of subsidies after 1990 caused land-abandonment for some time, and the use of chemicals fell drastically in all the CEECs. There was a general shift from intensive to extensive farming. Mr Prazan gave a brief description of the situation in most

CEECs. On the one hand, due to financial constraints, few agri-environmental measures are applied, and on average the level of education of farmers is low, while codes of good practices are to be developed. On the other hand, the agri-environmental concerns have been raised, but this is again under pressure due to the harmonisation process to the CAP.

### **Trade, agriculture and the environment**

Sophie Moussis, from the International Affairs Directorate of DG Agriculture, defended the Commission against accusations of so-called "dumping of surpluses" on third countries. She pointed out that the criticism received by the CAP is largely unfounded, in particular due to the absolute transparency of the system applied. The EU is not unique with the support level of the CAP but the system is often even better than those in other developed countries of the world, which apply indirect and less transparent methods of support and protection. She reminded the audience of the fact that 74% of the total volume of agriculture exports of developing countries go to the EU. The EU had always given very high priority to environmental conditions, together with the food safety and quality standards, when discussing bilateral agreements.

### **Re-organisation of an agriculture ministry**

Dr Hans-Christoph von Heydebrand, from the newly established German Ministry of Consumer Protection, Food and Agriculture, reported that the reshuffling within the German government was the consequence of the BSE crisis at the beginning of the year. Consumer protection became a competence of the Federal Ministry of Agriculture, while Ms Renate Künast – a member of the Green Party – was appointed as the new Minister. The idea behind this was to strengthen consumer representation by putting the two sectors together. According to Dr von Heydebrand, there had been no further administrative reform apart from the adding of the extra division and the new name. The room for manoeuvre, however, of the new Minister was rather limited with respect to administrative changes, mainly due to financial constraints. Von Heydebrandt discussed inter alia the quality of inter-ministerial co-operation, which had been improved with respect to the Environment Ministry. He also proposed changing the vertical structure of the Council that had led to various inconsistencies.

### **Agri-environmental indicators**

The purpose of agri-environmental indicators is to guide policy-makers and make the performance of individual countries measurable. Dr Kevin Parris, a specialist of the OECD, explained that what should be measured was the role of EU agriculture in protecting the stock of national resources and landscapes, reducing environmental pollution, and improving agri-environmental management. In Spain, Portugal and Italy more than 10% of the land is at high risk of water erosion. In his opinion, the effects of the set-aside policy had been environmentally

positive in the past. With respect to water resources, there is an expectation that there would be a lower growth rate of irrigated areas in the future but only if subsidies for irrigation are reduced. Concerning water quality, agriculture is the main source of nitrate, phosphate and pesticides pollutants, and the EU nitrogen surplus per hectare is double the OECD average. With respect to pesticides, the health risks are continuously declining, the effects on wildlife, however, are still poorly documented. There is increasing concern today about pesticides and endocrine disrupters.

### **GMOs and the application of precautionary principle in agricultural environment**

Dr René von Schomberg, of DG Research, recalled that the European Parliament had agreed by large majority to revise Directive 90/220/EEC on the deliberate release of Genetically Modified Organisms into the environment. The Council adopted the joint text as agreed by the Conciliation Committee on 15 February 2001. Dr von Schomberg explained the meaning of the precautionary principle, which was one of the underlying concepts of the Directive. "The lack of scientific certainty shall not be used as a reason for postponing cost free measures to prevent environmental degradation". According to this, the EU's approach with respect to genetically modified organisms (GMOs) is to treat them on a case-by-case basis. Every GMO is evaluated on its own merits. The speaker stated that the EU had faced opposition to the precautionary principle, mainly from non-EU countries, which fear that the principle might create a trade barrier or would change environmental standards.

### **Bioenergy: a new source of income for farmers?**

In its "green paper" on renewable energy, the Commission has argued, against the background of the challenges of climate change, for a doubling of the share of renewable sources by the year 2010 (from 6 to 12%). Mariangels Pérez Latorre, DG Transport & Energy, pointed out that the benefits of renewable energies are not only linked to CO<sub>2</sub>-reduction but also to security of supply and the reduction of imports, to job creation, and to local and regional development. In this respect, the production of bio-energy products could be considered as a potential opportunity for farmers to gain additional income. In a case study prepared for this conference, Martin Unfried (EIPA) outlined the expectations there were regarding the development of small-scale biogas installations in Germany. Due to a new national law – the Renewable Energy Source Act – farmers are likely to invest in biogas plants in order to produce electricity. The new Act gives security for investments as a fixed price (up to 0.10 Euro) is guaranteed for a fixed period of time (twenty years). Experts forecast that electricity from biomass will now develop as well as wind energy did during the 90s. Germany is today the leading nation with respect to erected wind power turbines.

### **Who pays the bill?**

Dr Floor Brouwer, of the Agriculture Economics Research Institute (NL), gave an overview of several options included in recent EU legislation to be used by the Member States in the integration of environmental policy aspects into agriculture. Environmental concerns could be addressed by mandatory standards, by support in return for agri-environmental requirements or by specific requirements as a condition for direct payments. Dr Brouwer showed that agri-environmental measures included in Regulation 2078/92 (1257/99) give additional assistance to farmers, who were willing to undertake commitments to apply environmentally friendly methods, which went beyond good practice.

### **Organic farming in EU: case studies from Greece and Austria**

Although organic farming today only makes up to 0.63% of total Greek farming, there has been an important development in the last few years. Dr Leonidas Louloudis, Professor at the Agricultural University in Athens, pointed out that organic farming in Greece could not be considered a success story but it could also not be described as a failure. The best development was to be seen in the regions and sectors where only small adjustments were necessary to reach the standards of the European schemes for organic farming. This was in particular the case with the cultivation of olive trees and citrus fruits, where the old traditional methods were still applied. Dr Louloudis was quite optimistic about the further development of organic farming in Greece, although the process would also be rather slow in the future.

Ms Verena Hagg from the Austrian Permanent Representation in Brussels presented the successful case of Austria. During the 90's, organic farming increased to a level of around 9% with respect to surface use by agriculture. This was related to a pro-active policy of the Austrian government. Organic farming became an issue in the public debate, with public funding being integrated into the Environmental Programme (ÖPUL) and additional funding being made available under Regulation 951/97, covering 15-30% of the cost of the project, which has made organic farming attractive for farmers. An important step was the introduction of organic products in normal supermarkets. Nevertheless, it should be stated that direct marketing by farmers and local markets had been well organised.

### **Forthcoming EIPA publication**

Concluding the seminar, the organisers expressed their gratitude to all the speakers and the participants for the high quality of their interventions and the wide attendance of the seminar. They announced their strong will and commitment to edit a book on the basis of the programme of this activity and EIPA's intention to publish it at the earliest possible opportunity. □