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Summary of Conference Proceedings

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

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On 14 and 15 May 2001, the European Institute of Public Administration organised a conference on “The Common Agricultural Policy and the Environmental Challenge – New Tasks for Public Administrations?”.

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

The impact of Agriculture on the Environment and the issues emerging in the course of the European integration

The Environmental Dimension of the CAP

Opening the seminar, Mr. Pavlos Pezaros (EIPA) observed that the relation between Agriculture and Environment currently stands at the top of the EU Agenda, together with the issue of food safety. Until the 90s, the CAP secured a high support and protection level for European agriculture, almost exclusively based on a price support mechanism that, despite of being successful in attaining most of CAP’s initial objectives, it encouraged the high intensification of agricultural production. This intensification led to the specialisation and industrialisation of the sector, which is considered as being principally responsible for most of the damage of the agricultural activity to the environment. In this respect, the radical step of the 1992 reform to gradually shift support from prices to direct payments, was also a turning point for the development of the policy, as regards also its environmental dimension. Some environmentally friendly measures (set-aside, extensification incentives, etc) were incorporated into the Market Organisations for the first time but also an integrated agro-environmental package was introduced to accompany the market measures. However, Mr Pezaros described the 1992 reform as a first but insufficient step and he mentioned, in particular, the finding of the Court of Auditors on the subject. The Agenda 2000 reform was a more decisive step by

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reinforcing specific agro-environmental measures and making the environmental protection requirements a part of the Rural Development Strategy incorporated into the CAP. The reform also stimulated further the environmental elements of the markets, mentioning, in particular, the innovations introduced concerning inter alia the national envelopes, cross-compliance and modulation and their potential to benefit the environment. He stressed in this respect the administrative challenges since the national administrations had to play an increasing role under those schemes. The final agreement, however, adopting the innovations on an optional and not compulsory basis, made the whole reform environmentally less ambitious than originally proposed by the Commission. During the discussion, participants raised many questions based on obvious contradictions that still exist into the policy and in relation to other EU policies objectives (Eucalyptus trees threatening the European ecosystems, the tobacco and sugar regimes, etc). A constructive debate followed on the expected further steps, concerning the full integration of environmental protection into the CAP and their relation with other issues (trade, WTO negotiations, food safety, enlargement, etc).

The view of the Council

Christer Wretborn, representing the Swedish Presidency, stated that sustainability should be integrated into the European agriculture. He mentioned explicitly the “Cardiff process”, according to which 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 Goetenbörg Summit in June 2001. Mr Wretborn mentioned some remaining weaknesses, related to the fact that the reformed CAP has not reduced the high costs of production, the structures still stand as they used to be, with land prices being very high, a factor that also leads to intensification. Artificially high kept prices 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 it should be further discussed what exactly multifunctionality means and how to support the concept.

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 so far regional programmes and policies had been a crucial instrument. Cross-compliance seemed to be the most promising approach. According to Ms Bandarra, the implementation of the programmes introduced by the 1992 reform could not be considered as a failure, rather half a success. She mentioned, in particular, the two approaches of reform: Farms’ obligatory compliance with certain minimum conditions (maximum levels of pollution, hygiene and animal welfare) and the agri-environmental package included into the rural development policy on the basis of additional payments for costs incurred and income foregone. With respect to financing, Ms Bandarra explained that agri-environmental measures count for 44% of the rural development budget, and 4% of the total EAGGF. During the discussion the question related to good agricultural practice was raised. According to Ms

Bandarra, it is regarded as minimum requirement and not refunded to the farmers, while agri-environmental measures act as additional incentives and are refunded. A participant pointed out that good practice has to be defined on the national level.

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 focuses 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. On the other hand, society's demands for better environmental conditions will push cost up. Proposals of Lto (and COPA) are the reward of good agriculture 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 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 the "Coordination Paysanne Européenne", pointed out that his organisation is criticising the CAP as a whole. There was a need for reforming the system since so far the EU had never the political will to do away with over-intensification. The 1992 CAP-reform as well as the Agenda 2000 sill focused on intensification. He outlined the inconsistencies by giving the example of water in the UK where the polluter pays principle is not applied at all but the state has to pay compensations for water companies. He connected his criticism on the support of intensified farming with the argument that it is not only harmful to the environment, but it also encourages the export of surpluses to regional markets in Third World countries, which were destroyed. Another problematic example was the dependency of the European meat production on cheap feeds from the world market. Combined with subsidies on ship and aircraft transportation, this led to the location of meat production not according to the geographical conditions but to the transport infrastructure. In the discussion it was pointed out that CPF's views were too fundamentalist and it was questioned whether the people really wanted a change away from the production of big quantities of food. Mr Choplin stated that it was as well a political decision whether there would be in the future agriculture production in Europe at all.

The situation in Central-Eastern Europe

In the Czech Republic structures changed from publicly owned centrally planned state farms and co-operatives to privately owned corporate farms and many family farms. Mr Prazan, from the Research Institute of Agriculture Economics, (Brno, CZ), said that before 1990, farmers received so much support that the use of fertilisers and pesticides resulted in the contamination of waters, frequent erosion, loss of landscape. The vanished subsidies after 1990 caused land-abandonment for some time, but also the use of chemicals fell drastically in all the CEEC. There was a general shift from intensive to extensive farming. Mr P:razan gave a brief description of the situation in most CEECs. On the one hand, and due to financial constraints, only few agri-environmental measures

are applied, the farmer's education is on average low, while codes of good practices are to be developed. On the other hand, the development went into the right direction, 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 the DG Agriculture, defended the Commission against the accusations with respect to the so-called "dumping of surpluses" to third countries. She pointed out that the criticism received by CAP is largely unfounded, in particular, due to the absolute transparency of the system applied, while the EU with CAP is not unique but often even better than 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 export of the developing countries would go to the EU. The EU had always put environmental conditions, together with the food safety and quality standards, very high on the priority when discussing bilateral agreements.

Re-organisation of an Agriculture Ministry

Hans-Christoph von Heydebrand, from the new established German Ministry of Consumer Protection, Food and Agriculture, reported that the reshuffling within the German governments has been the consequences of the BSE crisis at the beginning of the year. The consumers' protection became part of the Federal Ministry of Agriculture, while Ms. Renate Künast –member of the Green Party– was appointed as the new Minister. The idea behind it was to strengthen the consumers concerns by putting the two sectors together. According to Dr. von Heydebrand, there had been no further administrative reform apart from the arrival of the extra division and the new name. The room of manoeuvre, however, for the new Minister has been rather limited with respect to administrative changes, due mainly to financial constraints. Von Heydebrandt discussed the quality of inter-ministerial co-operation, which has been improved with respect to the Environment Ministry. He further described the way of preparing and adopting European Policies within the margins of the sectoral Council formation as rather inappropriate to ensure policy consistency. Due to the fact that the Agriculture Council is only prepared and run by people in the agricultural sector, the outcome was very often problematic with respect to the needs of other sectors. The same applied for the Environment Council. His proposal was to do away with the sectoral Councils and instead, to install one central body, which would have to be prepared by several sectoral working groups.

Instruments for Environmentally Sustainable Agriculture

Agri-environmental indicators

The purpose of agri-environmental indicators is to guide policy-makers and make performances of individual countries measurable. Kevin Parris, specialist of OECD, explained that what should be measured was the role of EU agriculture in protecting the stock of national resources and landscapes, the reduction of environmental pollution, the

improvement of agri-environmental management. In Spain, Portugal and Italy more than 10% of the land is at high risk to water erosion. According to his opinion, the set-aside policy had in the past environmentally positive effects. With respect to water resources, there is an expectation of a lower growth rate of irrigated areas in the future but only if subsidies for irrigation will be reduced. Concerning water quality, agriculture is the main source of nitrate, phosphate and pesticides pollutants, with EU nitrogen surplus/ha which is double the OECD average. With respect to pesticides, the health risks are continuously declining, the effects on wild life, however, were still poorly documented. Increasing concern was today on pesticides and endocrine disrupters.

GMOs and the application of precautionary principle in agricultural environment

René von Schomberg, of the DG Research, reminded that the European Parliament has adopted the revision of Directive 90/220/EEC on the deliberate release of Genetically Modified Organisms into the environment as agreed by the Conciliation Committee by large majority of votes cast on 14 February 2001. The Council adopted the joint text by written procedure 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 was 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 he principle might create a trade barrier or would change environmental standards. Some problems of interpretation have appeared in relation to the lack of clearly defined standards for “harm” or “adverse effect” or “risk”. Member States have their own criteria, which complicated the release of GMOs on the European market. Some participants raised the question of the financial burden of the monitoring. Dr von Schomberg stated that this had to be decided within the national implementation of the Directive.

Bioenergy: New source of income for farmers?

In its “green paper” on renewable energy, the Commission has argued, as 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%). This could also help to solve the problem of the increasing dependency on fuels coming from outside the EU. Mariangels Pérez Latorre, of the DG on Transport & Energy, explained the Commission’s main approaches in the field. She pointed out that the benefits of renewable energies are not only linked to CO₂-reduction but also to the security of supply and to the reduction of imports, as well as to job creation, local and regional development. In this respect, the production of bio-energy products could be considered as a potential opportunity for additional income for farmers.

As a case study, Martin Unfried (EIPA) outlined the expectations with respect to the development of small-scale biogas installations in Germany. Due 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 the investments since 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 good as wind energy during the 90s. In the field of wind energy, a fixed price system was already implemented 10 years ago. Germany was 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 on several options included in the recent EU legislation to be used by the Member States in implementing the integration of environmental policy aspects into agriculture. Environmental standards could be integrated 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 going beyond good practice.

Organic farming in EU: Case Studies from Greece and Austria

Although organic farming today only makes up to 0.63% of the total Greek farming, there has been an important development during the last years. Dr Louloudis, Professor in the Agricultural University in Athens, pointed out that organic farming in Greece could not be considered a success story but it could be as well not described as a failure. The best development was to be seen in the regions and sectors where only little adjustments had to be made to reach the standards of the European schemes for organic farming. This was above all olive trees' and citrus fruit's cultivation where the old traditional methods were still applied. Dr Louloudis was rather optimistic about the further development of organic farming in Greece, although the process will be also in the future rather slow.

Ms Hagg from the Austrian Permanent Representation in Brussels presented the case of Austria. The development of organic farming in the European context has been extraordinary successful. During the 90's, organic farming increased to a level of around 9% with respect to the 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, public funding has been integrated in the Environmental Programme (ÖPUL) and there is additional funding 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. The biggest retailer of Austria launched its own organic brand, which had the effect that organic products were bought not any longer only by the "greenies". On the other hand, direct marketing by farmers and local markets had been well organised.

A lively debate arose on the question whether new and better data are needed to analyse properly the environmental effects of organic farming. Dr Parris, of the OECD, pointed out that this issue would be on the agenda at a coming OECD workshop, which will be

held in Washington. He argued that the funding with public funds has to be justified by proper data on the actual benefits, as there are some scientific reservations concerning the organic farming as the best alternative to conditional farming. Ms Hagg disagreed on the point and she argued that one should not start a debate on organic farming on false grounds. The funding of organic farming was part of the CAP on the basis that it benefits considerably the environment. One should discuss the possibilities to promote it within the framework of the CAP.

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 the EIPA's intention to publish it at the earliest possible.

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