

## **The opportunity of the Mid Term Review A Challenge to the Copenhagen Summit**

Recommendations to the Heads of Government at the European Council summit 12-13 December 2002

*The European AgriCultural Convention (EAC) is a platform of stakeholders of the Common Agricultural Policy which includes Civil Society Organisations, NGOs, Members of the European Parliament, national government representatives, and EU officials. Its aim is to put forward solutions for European agriculture and rural perspectives in an enlarged Europe.*

*In June 2002, the EAC submitted recommendations to the Convention on the Future of Europe, expressing a broad and long-term approach to the future of the wider Europe.*

*Since July, the EAC has focussed on the debate generated by the European Commission's proposals for the Mid-Term Review of the Common Agricultural Policy. EAC discussions on this issue culminated in a Public Stakeholders' Forum, held at the European Parliament on 3-4 December 2002, chaired by Joseph Daul and Friedrich-Wilhelm Graefe zu Baringdorf, Chair and Vice-Chair of the European Parliament's Committee on Agriculture and Rural Development.*

*This Recommendation Document is delivered by the EAC to the Heads of Government meeting in Copenhagen 12-13 December, at a crucial moment in the evolution of the greater Europe.*

*The European AgriCultural Convention*

+32 (0)2 28 43362, +32 (0)2 28 47154

+32 (0)2 28 49154 (fax)

[info@agriculturalconvention.org](mailto:info@agriculturalconvention.org), [eac@europarl.eu.int](mailto:eac@europarl.eu.int)

[www.agriCulturalconvention.org](http://www.agriCulturalconvention.org)

*The EAC is not a representative body, but a stakeholder forum. There was general agreement for this document, but some participants have reserved their own position – or that of their organisation – on specific issues. The participants list, contributions from the public consultation and further details can be viewed on the website.*

**The opportunity of the Mid Term Review**  
**Summary of Recommendations addressed to the European Council Summit in**  
**Copenhagen, 12 to 13 December 2002**

Reform of the Common Agricultural Policy is urgently needed in order to meet the changing public and political demands upon the farming sector and to make the most effective use of funds available for agricultural and rural support. It should not be delayed. Expenditure upon rural development must increase, for the sake of all Europeans. Moreover, the accession states need effective support from the EU, both to modernise their agriculture in a sustainable way and to strengthen their wider rural economies.

The decisions to be made in Copenhagen should take us down the road towards a European Union which achieves greater equality between the growing number of member states; a Union in which agriculture is truly sustainable; with rural areas well-off in social as well as economic capital, whose citizens are empowered to participate fully in society.

EAC supports the European Commission in shifting the basis of EU support to farmers, away from commodity subsidies and towards employment, environment and related issues. The new regime should focus upon payments for services provided to society. Such payments should be subject to mandatory compliance with standards related to food safety, animal welfare, public health and protection of the environment. The EU should argue strongly in the WTO and other fora for similar standards to be imposed elsewhere, and should impose measures of protection against unfair competitive imports where exporting countries have significantly lower standards than the EU. The EU should end export subsidies and subsidies allowing export below production costs.

The rural development pillar of the CAP should be used to promote actions to boost the income of farmers and the rural population, for example by more direct connection between the farmer and the consumer; and to encourage a continuing shift in emphasis from quantity to quality of food, and towards organic farming and of low-input farming systems.

But the rural development pillar must also address the wide needs of the rural areas. We urge the Heads of Government to endorse the Commission's proposal for increased transfer of funds to the 2<sup>nd</sup> pillar. Adequate EU funds must be found to enable member states to pursue widespread and effective rural development programmes.

The new member states will need all the help they can get to modernise their farming and related industries and to strengthen their wider rural economies. EU help under the PHARE and SAPARD programmes has taken them some way along that road, but has also caused severe frustration because of the complex procedures and heavy regulatory demands that are involved. EAC is concerned that accession states will be tempted to apply all of their limited EU funding only to the support of agriculture, rather than addressing also their urgent need for rural development. We urge the Heads of Government to recognise the grave risks that are involved in neglecting the needs of wider rural communities in those countries, which include large-scale rural unemployment, and to ensure that there is adequate financial support both for agricultural sustainability and for vigorous programmes of rural development in the new member states.

European AgriCultural Convention  
**The opportunity of the Mid Term Review**  
**A Challenge to the Copenhagen Summit**

**The case for reform**

1. **The CAP must evolve, now.** There are some voices calling for '*no change*' in the Common Agricultural Policy. We are convinced that that view is not justifiable. The CAP as it stands now is financially unsustainable, can be damaging to the environment, and fails to meet rising public concerns with food quality, public health, environmental protection and animal welfare. The combination of low farmgate prices of food (made possible partly by public support) and export subsidies are gravely damaging food producers of the Developing World and of Central and Eastern Europe. The current CAP will not survive within the evolving trend of World Trade talks; the export of agricultural products significantly below production costs should end on an international level.

2. **Rural development needs greater attention.** More than four-fifths of the land surface of Europe, and nearly half its population, fall within rural areas. These areas provide living space and livelihood for hundreds of millions of people; and a large part of the food and other basic resources for all European citizens, including the space for recreation. Many of these rural areas are marked by low average incomes, high unemployment or under-employment, limited job opportunities, inadequate social and physical infrastructure, or degraded environments. These areas demand increased attention by the EU and member states, as was recognised in Agenda 2000 and recently by the European summit of the Heads of Government in October in Brussels 2002. Programmes of integrated and sustainable rural development should be widely implemented in order to enhance the quality of life of rural people, and to achieve equity between different parts of the rural community. These programmes should have a strong territorial basis; should be pursued through partnership between all principal stakeholders; and should aim to achieve environmental as well as social and economic goals.

3. **Farmers need rural development.** During the last two decades, the position of farmers has progressively changed. They still have to gain their primary income from food production. But, in broad terms, they cannot increase their income by producing more food. Their share of the price of food, as served to the consumer, has fallen. Farm incomes have been falling, in real terms. The farm workforce has been shrinking fast. A growing proportion of farmers are therefore seeking secondary income, for themselves or their families, from sources other than food production, whether on or off the farm. For this reason, the farmers themselves now increasingly depend upon other parts of the rural economy or upon income from activities other than agricultural production. This is a prime justification for creating and progressively strengthening the 2nd pillar of the CAP.

4. **The needs of the accession states.** The proposals for the Mid Term Review, as published by the Commission in July, did not address the needs of the accession states. But the public and political debate of the last five months has provided sharp proof that the CAP, and the related issue of rural development, are of great importance to the accession states. The CAP reform proposals cannot be safely separated from the issue of enlargement. The expected accession of 10 states in mid-2004 will bring over 70 million new consumers into the Union, but will also

increase the Union's area of cultivable land by more than 50%. Since 1989, farmers in the new member states have been striving to reach the efficiency standards of western Europe and (since the accession agreements) to meet the *acquis communautaire*. They need continued support as they strive towards viability, and they have asked that this support be given at a level equal to that of the EU15 from the moment of accession. Some of the accession states, Poland being a key example, have very large numbers of small farmers who will need support for their very survival. All the accession countries need to strengthen their wider rural economies, in a manner parallel to the needs of the poorest rural areas in the EU15. These countries also have a rich natural and cultural heritage in their rural areas, which need active protection.

**5. Reform is vitally needed.** For all the reasons stated above, we urge the Heads of Government to accept the vital need for:

- reform of the CAP, to meet the changing public and political demands upon the farming sector, to make most effective use of funds available for agricultural and rural support and to reduce the damage which current commodity support systems cause to producers in the Developing World and in Central and eastern Europe as well as small producers in the EU.
- rising expenditure upon rural development, for the sake of all Europeans.
- effective support to the accession states, in order both to sustain the impetus of creating a modern and sustainable agriculture and to strengthen their wider rural economies.

**6. The long view.** We urge the Heads of Government to see the decisions that they will make in Copenhagen as a step on the road towards a European Union which achieves greater equality between the growing number of member states; a Union in which agriculture is truly sustainable, in all senses; and with rural areas well-off in social as well as economic capital, whose citizens are empowered to participate fully in society. The Copenhagen Summit should be grasped as an opportunity to re-shape the institutions and major programmes of the Union in these crucial aspects.

### **The basis of support for farmers**

7. The European Commission has proposed a radical shift, from support to farmers through commodity subsidies to payments related to other issues such as employment and environment. The EAC supports this proposed reform (with reservations referred to in paragraph 9). We understand the anxieties of farmers about the impact that this radical change may have upon their levels of income, and about the political acceptability of new forms of support unless there is a clear public awareness of what this support is for. Also justified are the concerns of rural communities and environmental interests that a crude shift away from commodity-based support could prompt farmers to simply stop the farming that has produced significant social and environmental benefits, for example in many upland areas.

**8. A phased and skilful transition.** Bearing in mind the above points, the EAC is in favour of a phased and skilfully handled transition in the basis for payments to farmers. This would be a transition from payments related to commodity production to payments for services provided to society. In the following paragraphs, we outline the main elements of a new approach; We believe that together they will ease the way through this transition and give the farmers of Europe confidence for the future. These elements are :

- the basis of a new regime of payments for services provided to society

- the conditions to be imposed upon those payments, and related action to protect European farmers from unfair competition
- action to boost the income of farmers
- supply management of food products.

9. **Payments for services to society.** The EAC rejects the proposal by the Commission in the Mid Term review, that future support to farmers should be based on the present or historic income levels of farmers. The transition in the basis of payments should be carefully handled, so that no farmer faces abrupt disadvantage. But the emphasis in the new regime should be upon social and environmental services provided by farmers to the general public, such as those which are currently the basis for support to farmers in Less Favoured Areas. The payments for services would relate (for example) to maintenance and creation of jobs, or to provision of tangible public benefits, such as the continued active use and management of land for farming or other clearly defined purposes, the production of high-quality food products, the sale of these products in local markets (thus reducing food-miles), the protection and active management of the environment and heritage (beyond what is required as good practice under law), and the provision of public access. Payments related to such benefits should be proportional to the scale of those benefits, which may or may not coincide with the physical size of each farm.

10. **Conditionality of support.** The Commission proposed that the new regime of support to farmers should be subject to mandatory compliance with standards related to food safety, animal welfare, public health and protection of the environment; and that this compliance should be subject to a new system of farm audits. The EAC strongly supports this principle. The payments outlined in the previous paragraph should be seen as reward for services over and above the level of good farming practice as required by national or European legislation. This should be reflected in the clear statement and enforcement of standards, which may be expected to rise progressively in response to public and political concerns about public health, environment and other issues. Farmers within the EU are legitimately concerned about the imposition of standards on them which are not imposed on their competitors in other countries or continents. The EU should argue strongly in the WTO and other fora for the imposition of similar standards elsewhere; and should not hesitate to impose measures of protection against unfair competitive imports where exporting countries have significantly lower standards than the EU.

11. **Means for boosting the income of farmers.** Farmgate prices should cover the full cost of production. At present, this is very far from being achieved for many European farmers. Moreover, farmers are now receiving on average a very low proportion of the ultimate sale price of the food that they produce. This is a factor of the power of the agro-processing industry, the supermarkets and others who form the 'chain' from the producer to the consumer. In many parts of Europe, efforts are now being made to shorten this chain, to create a more direct connection between the farmer and the ultimate consumer (for example through farmers' markets), and thus to gain for the farmer a higher proportion of the ultimate sale price. Related to this are actions to boost the value of food products through improvements in quality, through effective marketing (for example using certification of local origin) and through adding value to these products at local level by processing and other means. The EU and its member states have already given encouragement to this process. We urge the Heads of Government to endorse this as a key part of the changing emphasis within the CAP, and to promote such actions through the rural

development pillar of the CAP. This will do much to reassure farmers that the shift of money to the second pillar will improve the quality of life for them and their communities.

12. **Supply management of agricultural products.** The changes from commodity-based payments alone will not be enough to manage the supply of food commodities produced on European farms, in order to avoid surpluses in some sectors and dumping of food. Other measures are needed. The EU and member states should encourage a continuing shift in emphasis from quantity to quality of food, and encouragement of organic farming and of low-input farming systems, which should also bring significant benefit to the environment. In the Mid Term Review document, the Commission proposed that rotational set-aside should be eliminated; that a new long-term set-aside should be introduced; and that a system of carbon credits should be introduced, in order to encourage energy crop production, on a maximum of 1.5 million hectares. EAC believes that set-aside should be seen as a legitimate part of farming policy to improve crop rotation and natural soil fertility and health. Land that is not needed for food production should go into other productive uses, such as energy crops, forests or nature conservation.

### **Funding for rural development**

13. Since Agenda 2000 was introduced, the EU has provided funding for rural development through the 2<sup>nd</sup> pillar of the CAP. In theory, this has amounted to 10% of the CAP budget, some 4 billion Euro. In practice, the proportion spent on rural development has been less than this, and much of the money has gone to farmers but should also include other rural inhabitants who make significant contribution to the well-being of rural communities. Moreover, few of the EU15 states have used the option that they have to switch funds within their CAP budgets to the 2<sup>nd</sup> pillar.

14. In the Mid Term Review, the European Commission proposed a progressive reduction in total support to certain farmers, by means of setting an upper limit of 300,000 Euro to the amount of income support to any one farm. The European Commission estimated that this would produce annual savings of 500 to 600 million Euro by 2005, and proposed that this sum should be shifted to spending on rural development by transfer of funds to the 2<sup>nd</sup> pillar. This would release significant funds for rural development, and oblige member states to use the money for that purpose. The EAC strongly supports this proposal, and urges the Heads of Government to endorse it at Copenhagen.

15. The Heads of Government have agreed (at the Brussels European Council Summit in October 2002) that the existing annual limit on the CAP budget of 40.5 billion Euro will be continued until 2006, and that EU spending on agricultural development within the new member states shall be included within that budget. It was further agreed that at accession, support to farmers within the new member states should start at the level of 25% of that enjoyed by farmers in EU15, rising to parity by the year 2013. The EAC regrets this selfish decision. If that decision stands, we believe that there is an even stronger case for the progressive reduction in commodity-related payments to farmers. But the funds released by this may not be enough to allow the scale of increase that is urgently needed in rural development spending, which the European Commission proposed and which the EAC strongly supports.

16. We urge the Heads of Government to focus further upon what they recognised as the pressing needs of disadvantaged rural areas at the Brussels European Council summit in October. These needs are just as pressing in the accession states as in EU15. EU funds must be found to enable existing and new member states to pursue effective programmes which address the needs of their rural areas, with an emphasis on beneficiaries including whole rural communities. These funds may arise either from compulsory modulation within the CAP, or by automatic allocation of unspent agricultural funds to rural development within simplified budget procedures, or by new funds if necessary.

### **The link to enlargement of the Union**

18. We emphasised earlier the very serious situation in the agriculture and the wider rural economy of the accession states. These countries will need all the help they can get to modernise their farming and related industries in a sustainable way and to strengthen their wider rural economies. EU help under the PHARE and SAPARD programmes has taken them some way along that road, but has also caused severe frustration because of the complex procedures and heavy regulatory demands that are involved. When these states join the Union, they will expect to move from preparatory steps to full participation in EU support for agriculture and rural development.

19. However, the low level of the expected farm supports, the complex procedures (e.g. for SAPARD), and the demand for national co-financing of rural development activity (as compared with 100% EU funding of 1st Pillar-type activities) are producing understandable criticism in the accession states. Some countries are tempted to apply all of their limited EU funding only to support the intensification of agriculture and to withhold funds from rural development programmes for which there may be even greater need. A clear example of this is the recent proposal by the Polish government to shift money from the agri-environment programme to fund a national 'top-up' of direct payments to farmers : the EAC is deeply troubled to hear that this proposal has received encouragement from the Danish Presidency.

20. We urge the Heads of Government to recognise the grave risks involved in neglecting the needs of wider rural communities in those countries, including large-scale rural unemployment. We urge them to clearly endorse and financially support - both agricultural sustainability and vigorous programmes of rural development in the new member states. These programmes should include: a greater emphasis upon the development of civil society and partnerships in rural development like the LEADER programme; active use of the Rural Development Regulation; capacity-building among all those involved in rural development; pursuit of Natura 2000 and other European environmental programmes, and compliance with EU environmental, public health and animal welfare legislation. In these ways, the EU may realise the great opportunity which enlargement offers to achieve a truly sustainable approach to agriculture and rural development.