

Thalheim, Gerald

Article — Digitized Version

Reform of the common agricultural policy - Reform of the common agricultural policy from the German perspective

Intereconomics

Suggested Citation: Thalheim, Gerald (2001) : Reform of the common agricultural policy - Reform of the common agricultural policy from the German perspective, Intereconomics, ISSN 0020-5346, Springer, Heidelberg, Vol. 36, Iss. 3, pp. 122-124

This Version is available at:

<https://hdl.handle.net/10419/44406>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

The further development and innovation of the agricultural industry must face up to the changing demands of society. Research and education therefore require new objectives. The wide variety of services required by society, ranging from quality produce to rural tourism and nature preservation, must be reflected in research and education.

The lack of dialogue and contact between urban and rural communities must also be addressed. Improved communication, increased awareness and better understanding should be encouraged. The new Common Agricultural Policy must create an arena for the active involvement of all affected parties who are

fighting for a new quality of rural economy and for food safety.

Measures: instead of concentrating on gene technology and profit maximisation, agricultural research should place its emphasis on diversification of employment and innovation through renewable energies and adapted technologies, as well as modernising organic and low input farming. The programme for rural development must make room for partnerships at a local level, encourage dialogue between producers and consumers, thus promoting inter-regional and international communication between urban and rural areas.

Gerald Thalheim*

Reform of the Common Agricultural Policy from the German Perspective

The common agricultural policy must meet great challenges in the years to come. While on the international scene implications are arising from the WTO negotiations, inside the EU we have to cope with the repercussions of the BSE crisis. In future preventive consumer protection must take priority over economic interests. Furthermore, environmental and nature conservation are to be incorporated into all policy fields and implemented in a sustainable manner.

Overcoming the division of Europe by the integration of the Central and Eastern European states is most likely the key task facing the EU in this decade. Already today the EU is the largest global importer of agri-food products and one of the principal market outlets with great purchasing power. The European agri-food industry also ranks second as an exporter, making it a key stakeholder on the global market. Enlargement will further reinforce this position and expand the European internal market by more than 100 million to some 500 million consumers. EU arable land will more than double, with the number of agricultural holdings and the active population in agriculture also set to increase twofold.

In March 1999 the Berlin European Council laid the foundations for tackling the above challenges with Agenda 2000. Agenda 2000 strengthened the solidarity with economically weak regions and turned the policy for rural areas into the second pillar of the common agricultural policy. This is all the more important as in the 21st century, too, agriculture will still be the main economic factor for large parts of Europe with a population density of less than 100 inhabitants per square kilometre. Generally the same regions are struggling with specific environmental constraints in their agricultural economies. Therefore, pointing out prospects to these rural communities will remain one of the major tasks of common agricultural policy also in the future.

Liberalisation of Agricultural Trade

The conclusion of the 1994 Uruguay Round fully integrated the agricultural sector into the multilateral trading system for the first time. This initiated a liberalisation process also in agricultural trade, to be continued under Art. 20 of the WTO Agreement on Agriculture as part of the ongoing new WTO round of negotiations on agriculture. The EU presented its negotiating position in Geneva in December 2000. It is in the very interest of the EU to make further headway in trade liberalisation and to ensure a stable world trading system.

* Parliamentary State Secretary, Federal Ministry of Consumer Protection, Food and Agriculture, Berlin, Germany.

The EU is quite prepared to hold negotiations on a further improvement of market access, cuts in export subsidies as well as on particularly trade-distorting support measures. This is not a one-way street; the trade measures of other WTO members must also be put to the test.

At the same time WTO negotiations must also take the so-called non-trade concerns into account,

meeting consumer expectations with regard to food safety and quality and environmental and animal protection as well as

guaranteeing the continuation of the European model of a multifunctional, consumer-oriented and sustainable agriculture.

Changing Social Requirements

Today, direct payments to farmers make up the bulk of EU agricultural expenditure and of farmers' income. Direct payments will remain indispensable even under the world market conditions to be expected in 2006 on the expiry of Agenda 2000 and given the WTO requirements safeguarding the European agri-food model. Yet, what needs to be done is to develop this system further to allow for changing social requirements. This encompasses, in particular, the further decoupling of direct payments from production.

The increasing world market orientation of the common agricultural policy as well as the liberalisation of agricultural trade between the EU and the candidate countries in the run-up to accession has already frequently resulted in an approximation of prices between East and West on European agricultural markets. Most experts therefore do not forecast serious market problems due to accession, at least not for crop products.

Given the accession-induced upward trend in farm prices in the candidate countries, Agenda 2000 does not provide for direct payments for the farmers there. On the other hand, we have to realise that the commitment to adopt Community legislation will burden Eastern European farmers with considerable cost increases due to high European production standards. In the long term we must therefore achieve uniform arrangements EU-wide in the field of direct payments.

As far as the quotas and premium rights of candidate countries are concerned, the rule should apply that they must be fixed on the basis of a current reference period so as to prevent additional market

surpluses from arising. Existing WTO restrictions, in particular, must be taken into account.

Granting derogations or transitional periods to candidate countries in the field of phytosanitary and veterinary standards would send the wrong signal especially in view of the recent experience with BSE as well as foot-and-mouth disease. Preventive consumer health protection must equally apply to all EU citizens.

Deficits in Consumer Protection

The BSE crisis brought it clearly home to us that the future of European agriculture concerns all European citizens. It has become evident that the common agricultural policy still shows deficits in meeting society's requirements regarding consumer protection as well as environmental and animal protection in agriculture. We will actively pursue further the course we embarked on with the Agenda agreement.

BSE deeply unsettled European citizens and gave them food for thought. Yet, BSE not only spoils our appetite for beef. Consumers long accustomed to the constant availability of cheap food, bite-sized fast food offers, convenience menus and microwave dishes were startled by media reports on unsavoury production methods in stockfarming and on the consequences threatening the livelihoods of the farms concerned. They are beginning to question their own eating habits for the first time.

We, in the European internal market, are undoubtedly among those having the highest production and hygiene standards in food by international standards. In spite of the current BSE risk, food safety has never been as high in Europe as today. The precautionary legislative measures protecting consumers, such as the ban on the use of growth hormones in livestock feeding, go so far that trading partners like the USA are accusing the EU of trade protectionism.

The European Council called upon all Community policy fields to assert the sustainability principle. Over the past few years, an intense discussion took place in European agricultural policy on a corresponding sustainability strategy related to the vision of a European model of agriculture. The agriculture reform launched by Agenda 2000 set the course for a sustainable and more ecologically sound agriculture. Yet, the public discussion triggered by BSE shows that we still have a great deal of work ahead in common agricultural policy in terms of meeting social

requirements in consumer protection as well as environmental and animal protection.

Rethink Required

For the sustainability principle to prevail in the agri-food sector, a rethink is required at all levels of the food chain. Food must always be safe in terms of health, free of undesirable substances to the maximum extent possible, whilst meeting market requirements.

A maximum degree of food safety is certainly the basic foundation of a modern consumer protection policy. Yet, a lot needs to be added to achieve a comprehensive quality concept. It is especially the diversity of traditional European cuisine and regional specialities which demonstrates what quality also means: quality ingredients, diversity in taste, safe sourcing, ecologically compatible production and welfare-oriented stockfarming. Realising this sustainable food model and quality concept must already commence in the preceding stages of agricultural production ranging right up to the consumer via processing and trade.

Whereas many consumers are extremely price-conscious when they shop around for food – not least for reasons of income – they also have rising expectations of food quality. Criteria such as freshness, quality and taste no longer suffice for them. Increasingly important in food purchase are criteria going beyond the proper product features. More and more people want eco-friendly products of regional origin, meeting animal and environmental protection requirements. Many farm families around conurbations have realised the opportunities arising from this and have opened up new markets in direct marketing. The potential of regional marketing opportunities in Germany and other European states has not been exhausted by far.

One reason for this lies in the still serious shortcomings in product information and market transparency which confront consumers in the European internal market. It is only when we have enabled consumers to better assess the quality of food that they will be readier to spend more money on high-quality food produced in the regions. This will also send clear signals to farmers via the market to start producing these regional quality products.

Sustainable Production of Quality Products

The necessary turnaround away from mass production to sustainable production of quality

products; according to priority to consumer protection, must be guided by the following principles:

- turning away from the coupling of premia to production in favour of a reward for services,
- special support for eco-friendly arable farming and welfare-oriented animal husbandry,
- conservation of the environment, in particular of water and soils.

More environmentally sound production methods do not come naturally; they require a strict observance and further development of good farming practice, *inter alia*. Antibiotic growth promoters will only vanish from livestock fattening when they are banned. We will only achieve more food safety if we place the risk assessment into the hands of independent scientists. We therefore require a functioning European Food Authority as soon as possible.

For sustainable agriculture to gain the upper hand in Europe we must further decouple support for farmers from production in the common agricultural policy and instead reward a welfare, environmental and quality oriented production more than ever.

The great diversity characterising agriculture and rural areas inside the EU renders it quite difficult to define in detail an agricultural policy suiting all equally well. Agenda 2000, setting the framework for common agricultural policy until 2006, developed the policy for rural areas into the second pillar alongside market policy. This created the prerequisites for reinforcing national and regional responsibilities under one joint regulatory framework. To date, only few European Union Member States have seized the option of modulation established by Agenda 2000, i.e. to cut funds intended for market policy in favour of measures targeting sustainable rural development.

Measures for Further Development of the CAP

The measures endorsed by Germany for the further development of common agricultural policy in the light of the experience of the BSE crisis are, in particular:

- advancing organic farming further,
- raising requirements for a welfare-oriented handling of farm animals,
- banning antibiotics from the feed trough,
- permanent ban on the feeding of meat-and-bone meal,
- introducing a positive list of feedingstuffs,
- ensuring transparency through open declaration,

- improving framework conditions for the cultivation of protein crops,
- broader application of modulation by Member States,
- safeguarding European Union food standards in the WTO framework.

We can base the necessary further development of the common agricultural policy towards a consumer-oriented sustainable agriculture on the experience of earlier reforms. The planned mid-term review of Agenda 2000 provides a good starting-point for further steps in this direction.

This means that the funds available to agricultural policy will be used in the medium and long term primarily for more organic land management, more welfare-oriented animal husbandry and for safeguarding jobs in rural areas. We must continue and deepen the reform initiated by Agenda 2000 with

- new emphases in view of WTO negotiations and EU enlargement towards the East, by
- strengthening the environment-related green-box measures,
- transferring Community funds from the market sector to rural development and the environment as well as
- by tying compensatory payments to ecological and social criteria to a greater extent.

The options of Agenda 2000 to use modulation to generate a sustainable and ecologically sound development of agriculture and rural areas should also be used in Germany. The environmental and animal-oriented production of high-quality produce must be taken as a chance to strengthen the competitiveness of EU agricultural products on the world market, thus enabling European agriculture to actively share in the forecast growth of global agricultural markets.

Ulrich Koester*

How Good Are the Prospects for a Genuine Policy Reform?

The Common Agricultural Policy (CAP) has undergone major changes over time. At the times when the most significant changes were undertaken – the Mac Sharry reform and the Agenda 2000 – policy-makers, especially from Germany, tended to claim that a long-term solution had finally been found and that farmers could rely on a stable and predictable policy for a longer period. In contrast, many economists, among them the advisory council to the German Ministry of Agriculture, called for a more comprehensive reform even beyond the Agenda 2000 decisions. So far their suggestions have been neglected in the official policy arena. The BSE crisis and the personal changes in the German Ministry of Agriculture seem to have changed the thinking. The new Minister and also the German Chancellor favour a drastic change of the CAP. It should be commended that the status quo is finally being questioned and new ideas put forward. However, the public discussion appears to be partly distorted by beliefs and unreflected opinions. Some clarification and structuring of the discussion might be helpful in the political process of agricultural reform. This short note

is structured as follows: first, the need for additional reform will be reconsidered. This diagnosis is important for the assessment of the reform proposal by the German government which follows. The key principles for a genuine reform are then laid out, and finally some reflections on the chances for a genuine reform given the present political market in the EU are presented.

Strong Needs for Reform

Agricultural policy is subject to the same principles and guidelines as general economic policy. Hence, the CAP should be reformed if

- the money spent on agriculture at the European and national levels does not serve the generally accepted objectives in a “social market economy”,
- the present policy leads to the inefficient use of factors of production, and, therefore, continues the wastage of resources, even after taking into account external effects,
- the CAP in its present form jeopardises the success of Eastern enlargement, or
- a continuation of the CAP with or without

* Professor, Dept. of Agricultural Economics, University of Kiel, Germany.