

Graefe zu Baringdorf, Friedrich-Wilhelm

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bility should be created to shift funds and possibly measures between headings of the agricultural budget as further reform unfolds.

On the market side, it is essential to continue efforts to bring the beef market into order. The right response here is not reform at this stage, but crisis management.

There are limitations as to what can be done under the strict budgetary constraints of the Berlin decisions

– which must be respected. Any adjustments involving budgetary costs could require a re-allocation of funds among agricultural sectors. Re-balancing support levels, both among sectors and policy instruments, is an issue in this respect.

The debate on the mid-term review is only beginning. But it will be essential to ensuring that the CAP continues to adapt to society's evolving expectations.

Friedrich-Wilhelm Graefe zu Baringdorf*

Encouraging Competitiveness Based on Quality

The BSE crisis has once again called the Common Agricultural Policy into question. The risk for consumers, the economic burden on farmers, the enormous unforeseen cost of dealing with mad cow disease as well as the disturbing cultural implications of the mass slaughter of cattle, all prove the need for fundamental change.

The Common Agricultural Policy should build precautionary consumer protection into all forms of food production and create a new framework of conditions that encourage competitiveness based on quality.

Today, the Common Agricultural Policy is no longer fulfilling its main objectives. The income of the majority of farmers is no longer safeguarded. Consumers are now paying more than ever for agricultural products, considering the mounting cost of dealing with one food scandal after another, a cost which is passed on to taxpayers.

The reform of the Common Agricultural Policy, including "Agenda 2000", adopted in Berlin in 1999, essentially aimed to limit agricultural spending, cut guaranteed prices, and increase the competitiveness of the farming industry on the world markets. Quality of food, environmental protection and sustainable development of rural areas were secondary considerations.

The EU's Common Agricultural Policy must stop playing off price and quality against each other, economic viability against environmental protection,

and competition against income protection. Instead of subsidising the production, destruction and export of surpluses, the new Common Agricultural Policy must design a policy framework that will encourage high quality, resource conservation and rural economic development. The quality of agricultural products must be judged in the context of the effects and side effects of the entire production process.

Applying the Precautionary Principle to Food Production

BSE is only the tip of the iceberg. Dioxin, PCB, hormones, antibiotics, genetically modified organisms (GMOs), and many other substances dangerous to health are becoming increasingly concentrated in food for both humans and animals. This is a direct consequence of the single-minded promotion of intensive animal husbandry and production methods which depend on use of cheap raw materials and antibiotics. Using animal carcasses and sewage water in animal feed illustrate the destructive effect on farming methods of the current policy's constant pressure to lower prices.

Applying the precautionary principle to food production should not be limited to putting more stringent controls on the final product. Verifiable standards guaranteeing healthy food products must be enforced all the way from the cultivation of crops and fodder to the final processing.

The new Common Agriculture and Consumer Safety Policy must evaluate all inputs, methods and products, from the beginning to the end of the production process, according to clearly defined comparative criteria for the whole production process.

* MEP, Chairman of the Committee on Agriculture and Rural Development, Brussels, Belgium, and Strasbourg, France.

The responsibility for implementing the precautionary principle in foodstuff production must be taken over in practice by producers and consumers alike. When making the decision to buy, consumers should also be encouraged to consider factors such as place of origin, the conditions under which the animals are kept and the method of production. Farmers in turn should become less dependent on market intervention by the state and focus more on regional markets of high quality.

Measures: complete removal of all BSE risk materials (e.g. all farm animals) from the food chain; introduction of positive lists when approving animal feeds, additives, crop protection agents and cleaning agents; ban on certain materials dangerous to health, e.g. antibiotics, above all concerning the prophylactic usage thereof in industrial animal husbandry; ban on pesticides and growth promoters which carry a reasonable suspicion of being a health hazard.

A Framework of Social, Environment and Food Quality Criteria

The current Common Agricultural Policy awards public subsidies to the foodstuff industry and the agricultural producers on the basis of already produced, processed or stored quantities; the number of animals kept and the size of cultivated or non-cultivated areas. The violation of existing laws in the domain of consumer protection, pollution control and environmental preservation does not currently prevent the payment of agricultural grants or subsidies.

Society will only benefit from the new Common Agricultural Policy if compliance with existing laws for consumer protection, environmental protection, and animal safety are respected. Good farming practice is therefore to be clearly defined as the rule – and not the exception – throughout the EU, which can be adapted to suit distinctive regional requirements. Contributions to quality improvement, to environmental protection and to employment figures must be measurable, as originally suggested by the Commission's Agenda 2000. Those who benefit from public aid must demonstrate how the funds were spent under a new system of self-regulation. This kind of agricultural good practice will reduce the level of public controls necessary and contribute to the overall reduction of bureaucracy in the agricultural policy.

Measures: public subsidies must no longer be solely directed towards growth of enterprise and increase of productivity; they must verifiably bring

about environmentally friendly cultivation and improvement of quality. For animal husbandry, this means e.g. no further public subsidies of slatted floors in factory farming and a reduction of the animal population density per ha; all farm animals must have adequate space to move and have sufficient access to daylight; integration of plant and animal production; promotion of on-farm animal feed production; better utilisation of animal manure in crop production.

Agricultural Prices and Competition Policy

Agricultural surpluses in the EU are a direct consequence of the current Common Agricultural Policy. The EU imports large quantities of animal feedstuffs at a low world market price for meat production and simultaneously pays export refunds for its own surplus produce, created through these imports. The largest part of the EU farm budget is still used for buying, storing and processing of surplus production.

The new Common Agricultural Policy must create a framework of conditions for encouraging fair competition to promote quality. This means the step-by-step reduction of market interventions and a transferral of the savings into a sustainable rural development policy which promotes the production of healthy food and feedstuffs by providing assistance in reorganising and marketing; restricts the concentration and monopoly power of the foodstuff industry and gives priority to short distance marketing and regional markets using quality labelling and geographical indications.

Measures: reduction of public intervention and abolition of export refunds (including live animal transport); revision of and introduction of supplementary information on labels and indicating the place of origin taking into account how crops are cultivated and how animals are reared; revision of the hygiene regulations especially in relation to fresh produce aimed at local and regional markets; abolition of (tax) privileges for factory farming methods (e.g. caged animals etc.)

Current Political Options

Although the current reform of the CAP (Agenda 2000) currently implemented still remains true to the old school of thought promoting competitiveness on world markets, there is scope for a new start. Approximately 10% of the agricultural budget is earmarked for integrated rural development, the so-called "2nd pillar" of the CAP.

In addition, the member states have the option of determining a ceiling of subsidy per farm (the ceiling may vary according to the farm's workforce, and environmental impact of farming practices). The savings may be invested nationally to promote agri-environmental programmes. To date however, this legal option has only been used by a few of the member states. In the context of the new rural development policy, some member states, such as France, have created a framework for contracts with farmers and other rural parties involved. These include, for example, conservation projects including contractual nature preservation (also in the framework of Natura 2000 or FFH), the preservation of the biological diversity or direct marketing etc.

Measures: the new Common Agricultural Policy should utilise this new policy for rural areas for a qualification and differentiation of the subsidies. In this way, the market intervention policy could thus be transformed step-by-step into a development strategy to create quality markets. After overcoming the BSE crisis, the EU must not fall back into the old interventionist policy. Regional meat supply should be promoted as a regional product of exceptional quality.

Re-evaluation of Agenda 2000

Overcoming the BSE crisis will place a great burden on the budgets of the EU and the member states, the extent of which cannot yet be estimated. The national co-financing of consequential costs of the BSE crisis should be differentiated with reference to the actual implementation of BSE precautionary measures. However, what is spent today to overcome the crisis will probably be missing for a new start. It is therefore important to check how compensation can be linked to steps toward a new policy.

Redistribution of funds is also urgent if the enlargement process is to succeed. Compensation payments, exclusively intended for the current member states, should be made available to the accession countries at the pre-accession stage, for the promotion of quality production, environmental measures and rural development. Conversely, promotional assistance for factory farming production methods should be abolished.

The European Parliament's Agriculture and Rural Affairs Committee has already begun its own evaluation of the Agenda 2000, including a study on Enlargement, which should be available by the end of 2001.

Measures: step-by-step reallocation of the EU budget for the CAP from surplus management to an

integrated rural development policy, including the promotion of quality produce and their labelling as such; obligatory indexing of the subsidies to ecological and employment criteria (modulation).

Promoting Organic Farming

A tangible improvement of the quality of foodstuffs is reliant on three elements: *transparency* of the constitution and origin of animal feed and foodstuff, its *traceability*, and the product *liability*.

Feedstuff producers, for example, must state all constituent materials and their origins as well as the proportions of these contained in the feedstuff ("an open declaration"); be obliged to perform self-monitoring on the origin of raw materials; be liable for paying the subsequent costs resulting from the addition of, or contamination with, materials damaging to health.

The transport of animals in particular, but also of raw materials, must be checked for compliance with existing EU and national protective laws (respecting animal rights) and for any possible contamination.

The same rules must apply to fresh and processed foodstuffs. The consumers must be informed about any materials which are possibly dangerous to health (use of pesticides, hormones, GMOs) and also about the properties which promote good health.

The promotion of organic production as a production method, which logically meets both environmental and health requirements, is to be retained and extended. In this case, however, funds should be primarily awarded for re-conversion to organic farming and for the marketing of new products in order to avoid creating new dependencies upon public funds.

Measures: promote the re-conversion to environmentally friendly production with low contaminant content and to resource-saving production methods (energy, water, manure, chemicals); reinforced marketing of organic products in baby foods, schools, hospitals and public canteens.

Control of Surplus Production and Protein Deficiency

Since the beginning of the Common Agricultural Policy in the nineteen-sixties, the EU agreed to the duty-free import of protein-rich plants and oil seeds with respect to the USA and other trading competitors in order to protect their own grain production in return. The BSE crisis and the ban on meat and bonemeal

have made the deficit in vegetable protein particularly apparent. To regulate the grain surpluses, in 1992, the EU started to introduce the policy of setting aside land and to allow only the production of non-food on such land. The new Common Agricultural Policy must use the BSE crisis to reduce the protein deficit.

Measures: this should initially be done by converting the set-aside land into a measure for extending the crop rotation. Instead of cultivating protein-rich and oil-bearing plants as a mass product via land-based or quantity-based subsidies, the production of fodder on farms should be up-graded on the basis of grass-clover mixtures, beans and peas. Supplementing the grain cultivation with vegetable plants and fodder plants completes the ecological crop rotation and contributes to the regeneration of the soil. Instead of granting land subsidies, which favour corn silage and intensive feeding (currently €400/ha), pastureland or grassland utilisation should be promoted, especially in disadvantaged areas.

International Trade and the WTO

The BSE crisis questions the "European agricultural model". The spreading of the disease even into very remote areas and small-scale farming shows how the industrial model of farming dominates the agricultural world. These practices devalue the diversity and specificity of the European *agri-culture*. The EU is resisting the import of hormone-treated meat and GMO soya beans, but finds itself blocked from exporting beef to the rest of the world.

The so-called "multi-functionality" of the European farming industry will have no success as a negotiating tool unless concrete public aid schemes are applied which are linked neither to production nor increased productivity.

There are many reasons and convincing arguments for reaching an agreement that recognises the particularities of the farming industry. These include the implementation of agricultural environmental measures, the introduction of de-intensification programmes, the conservation and utilisation of biodiversity and genetic resources in agriculture, respect of animal welfare aspects in husbandry for all species, conservation of water quality and reduction of pesticides, the use of renewable energy sources, and the diversification of employment opportunities in rural areas.

Without the currently practised massive importation of feedstuff, Europe would not produce any surpluses. It is the largest agricultural importer in the world. It

therefore makes no sense to intensify the fight for a share of the world market at any price. The primary objective of the new Common Agricultural Policy today is to ensure that the prerequisites are in place for the lasting, healthy nutrition of the European population, including the accession countries.

Measures: the precautionary principle for food safety must be laid down as a safeguard clause in the WTO agricultural negotiations in order to avoid a repetition of the dispute about hormone usage. Furthermore, the EU must quickly rethink its negotiating strategy and aim towards an increased environmentally friendly and structural policy for rural areas.

Co-decision of the European Parliament

The old Common Agricultural Policy survived countless reforms because many member states are net recipients of EU funding and neither the national parliaments nor the European Parliament could influence the decisions of the Agricultural Council.

The BSE crisis is also a result of this democratic deficit. The recommendations of the BSE investigative committee set up by the EP in 1996 were ignored by many member states for several years. They have only been put into effect now that great damages and costs to the general public have already arisen.

Measures: the new Common Agricultural Policy, as an integrated policy for consumer protection and rural development should be within the scope of co-decision. Furthermore, the Parliament, together with the Commission, should also be put into a position to ensure that the European legislation is rigorously applied in the member states. The long drawn-out legal proceedings against member states which do not implement the EU's environmental and consumer protection laws must be accelerated and the Commission should be empowered to act using preliminary injunctions in cases of definite danger to consumers.

Research, Education and "agri-cultural" Dialogue

Agricultural research enables innovation and the further development of the farming industry. To date, research has been driven by intensification and labour-saving rationalisation in all areas of production. Even education at agricultural colleges has followed suit. The result of this was concentration on skills for maximising profits, which in turn lead to the concentration of production in some favoured areas and lead to depopulation in other, less favoured, areas.

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.