

FUTURE OF COMMON AGRICULTURAL POLICY VIEWED BY EUROPEAN THINK-TANK

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Abstract

An agricultural policy designed at European level is necessary for farmers to benefit of fair conditions and provides a more efficient use of budgetary resources than the coexistence of national policies and objectives such as cohesion between Member States and regions, cross-border environmental problems, better approach of the global changes (in relation to single market).

Key words: agriculture, member states, farmers, think-tank

INTRODUCTION

The future reform post-2013 is a topic widely debated and a major concern for EU Member States.

In the old Member States (EU15) average amount received by farmers is around 300 euro/ha while in the new Member States (EU12) is around 200 euro/ha (after completion of the phasing in of direct payments, for Romania in 2016); the cause of the balancing of these payments was supported by many officials, especially from new Member States, but in the end there was no consensus about which formula to apply. There were also supporters of the proposed equalization by applying a single rate per hectare across the EU but there have been more nuanced positions (France) which considered that other criteria for the distribution of direct payments should be also taken into account.

Commissioner Fischer-Boel said that a single European rate is not realistic. Also, he showed the role of direct payments as a means of income support was very helpful in the process of moving towards a more market-oriented CAP, therefore a basic form of such aid is still needed. But linking these payments to the provision of public goods is also necessary, some countries considering that only this destination would be justified in the future. This however will require a review of rural development measures, to ensure consistency within the overall system of the CAP. Commissioner Fischer-Boel, at the end of his term, concluded that it takes a real

intellectual effort to find appropriate answers on how to support farmers, the environment and the rural economy.

MATERIALS AND METHODS

Since June 2009, at the informal Council in Brno (Czech Republic), in the debate about the future of the CAP, there have been involved important European think tanks with diverse interests, ranging from international and trade relations to land use and food safety, with studies, reports and conferences.

Some previously expressed their position, such as Notre Europe that since 2007 has prepared a series of studies on the future of European agriculture.

Groupe of Brouges (think tank on European agriculture and sustainable development) launched in 2008 the work *The Dilemmas of Globalization* where he highlighted the versatility of agriculture as well as the fact that that preserving landscape and biodiversity requires public intervention in agricultural production. (DOBRE, I., 2003)

IFRI (center of reflection on international relations) organized a seminar in 2008 dedicated to the CAP, the conclusion being that the CAP is an appropriate response to complex challenges that agriculture has to face.

British Land Use Policy Group launched in 2009 its own acknowledge on the CAP post 2013, which focuses on rewarding environmental services resulting from land management. Thus, the new policy should ensure tackling the climate change, promoting sustainable use of natural resources, preserving biodiversity, introduction of new technologies with a positive impact on the environment, land management integration in economic and social policies and monitoring all these goals.

European Centre for International Political Economy (ECIPE) had an interesting contribution by the study of winners and losers on CAP reform. The study argues for the gradual abolition of direct payments and proposes replacing the current structure of the CAP, based on two pillars, with a structure that groups together into a pillar the effective policies and into another the inefficient policies in order that these would be gradually eliminated. They also proposed criteria for allocating future funds for agricultural policy and evaluates the effects of their adoption in the Member States by building scenarios under which the aggregate net changes are insignificant in the EU12, which means that what is gained in the Pillar I is lost in the Pillar II and vice versa in the case of the EU15.

On the new pillar I, CAP budget allocation scenarios for the Member States are based on three dimensions: the allocation in 2013 according to the

rules in force, the agricultural area of each state, the size of GDP/capita in each state.

Simulation results show that Romania has to win with each of the scenarios even if generally speaking between EU15 and new Member States there are no dramatic changes. (ISTUDOR, N., 2006)

Study with the greatest impact (*Bureau and Mahe/Notre Europe*) proposes a new vision of direct payments by introducing an integrated system of contractual payments to include three levels:

- ✓ basic payments, uncoupled, aiming to maintain the agricultural area;
- ✓ payments related to areas with natural handicaps for farms in disadvantaged regions;
- ✓ payments for "green points" granted to farms adopting certain production techniques.

In June 2010 SAF *Agriculteurs de France*, a French agricultural think tank, recommends replacing the single farm payment with a new agreement which is built around a "European agricultural contract" based on two elements: food safety and environmental conservation. This contract will be supplemented by a system of "specific contracts" for those who wish to undertake new measures for environmental conservation. (DONA, I., 2000) These contracts will develop and negotiate after consultation with all stakeholders. This fundamental change provides a new opportunity: the relationship between society and farmers by clarifying public expenditure, of farmers as service providers, of political actors who will find a new field of action.

RESULTS AND DISCUSSIONS

Extensive public debate in early 2010 organized by the European Commission ended with a conference in July 2010. Council discussed reform over four successive presidencies, the European Parliament adopted an own-initiative report on the CAP after 2013 and set connection with "European Strategy 2020" and both committees: the Economic and Social Committee and the Regional Committee, all these ending with position papers. During these discussions, it was concluded that the future CAP to remain a strong common policy structured around its two pillars. (LUCA, L., 2009).

In broad terms, the views expressed have recommended the following strategic objectives:

- ✓ Preservation of food production potential within the European Union, so as to ensure long term food safety for European citizens, in conditions of crisis too and contribute

to meeting global food demand, which could increase up to 70% by 2050, according to FAO estimates. Increasing market instability accompanied by climate change highlights these trends and pressures;

- ✓ Supporting the farming communities providing European citizens various food products in a sustainable manner, in accordance with environment preservation, water and compliance with animal welfare. Active management of natural resources in agriculture is a prerequisite for preserving the rural landscape, combating biodiversity loss and contributes to climate change mitigation. This is an essential basis for dynamic territories and long term economic viability;
- ✓ Maintaining viable rural communities where agriculture is a basic economic activity by creating local jobs. Significant reduction in local production would have negative implications on: emission of greenhouse gases, local landscape features, fewer options available to the consumer.

Given the importance of agriculture in the European economy, in terms of indirect effects, any significant reduction in European agricultural activities would generate income losses and unemployment in other economic sectors, such as, primarily, agro-food sector. It could also affect rural activities such as tourism, transport, local and public services and depopulation of rural areas could increase.

CAP reform should continue to increase competitiveness, an efficient use of resources, taking the appropriate measures to ensure food safety and social and territorial balance in the context of environmental changes. The basic objective should be developing and strengthening the rural area. To achieve this, future CAP should contain a first more organic pillar and more equitably distributed and a second pillar focused on competitiveness and innovation, environmental changes, thus contributing to European objectives for 2020. Directing support exclusively to active farmers and remunerate collective services they provide to society should increase support efficiency. All this must take into account the constraints imposed by limited budgetary resources and the context of economic crisis in agriculture. (Institutul European din Romania, 2003, Micromonografii)

Challenges CAP are facing are: food safety, environmental and climate change and territorial balance.

- *Food safety* - a strong agricultural sector is vital for the food industry to remain an important part of the European economy. At the same time, European citizens demand a high

quality and a large offer of food products, including local ones. For European agriculture, the current background is more competitive and agricultural products markets can be characterized by uncertainty and a much higher volatility in the medium term. The future CAP will operate following an economic crisis that has seriously affected agriculture and rural areas by connecting them to macroeconomic developments. In 2009 farm incomes fell substantially in the context of an agricultural income significantly lower than that of the rest of the economy and an income per capita in rural areas much smaller than that in urban areas;

- *Environmental and climate change* - although greenhouse gases (GHG) emissions from agriculture fell by 20% since 1990, more efforts to reduce them are expected, in order to adapt and make a positive contribution by eliminating carbon and biomass production based on innovation. Environmental challenges (wear land, air and water quality, habitats, biodiversity) are to be treated accordingly;
- *Territorial balance* - agriculture remains the engine of the rural economy in most part of the EU. A competitive and dynamic agriculture, important for young farmers, can help increase the vitality and potential of rural areas. This is the case for most rural areas where the primary sector represents about 5% of added value and 16% of employment in the new Member States where recent gains in agricultural productivity and use the full potential is particularly important. In rural areas agriculture creates strong links with food processing, tourism, trade and is based on local traditions and social identities, especially in the new Member States.

The three main objectives of the future CAP are:

- ✚ *viable food production* by: contributions to farm incomes and limit their variability considering the price, income and volatility of incomes and natural risks are much more pronounced compared to other sectors while farmers' income and profitability is much lower compared to other economic sectors; increasing the competitiveness of the agricultural sector and increase its share value in the food chain; European farmers face competition from global market and must comply with high standards in terms of environmental objectives, food safety, quality and animal welfare; offset

production difficulties in deprived areas where there is a risk of major natural land abandonment.

- ✚ *sustainable management of natural resources*: ensuring sustainable production practices and ensure safe food supply in compliance with environmental requirements, supporting the development of ecological innovation (adoption of new technologies, developing new products, changing production processes); continuing climate change mitigations and adaptating agriculture to these changes.
- ✚ *balanced territorial development*: supporting employment in rural areas and maintaining the social structure of rural areas; improving rural economy and encouraging diversification; structural diversity of farming systems, improving small farms, developing local markets.

Achieving these objectives is contingent on maintaining public support for agriculture and rural areas.

In terms of future CAP instruments, its potential options involve changes of these instruments. The future policy should be based on a two-pillar structure. The first pillar should contain aid to all farmers on an annual basis while the second pillar is the tool to support community objectives that give flexibility to Member States. The two pillars should be clearly defined, complementary to each other without overlap and focus on efficiency.

CONCLUSIONS

If for the countries that joined the EU in 2004 the first years of the CAP represented a success, for Romania the situation is different. Romanian agro-food sector reflects a poor approximation of the European model of agriculture. Characteristics of Romanian agriculture have remained largely the same as in the pre-adhesion:

- ✓ high share of population employed in agriculture;
- ✓ low representation of commercial family farms;
- ✓ even if the amounts received by the agricultural sector from the EU budget and national budget were significant, they had little impact on farm performance.

If in the first years after adhesion Romania went into an opposite direction than that of the European trend and supported measures such as: increasing or maintaining the same proportions of subsidies on the surface, non-adopting progressive modulation, opposed to the restriction of amounts for very large farms, counting mainly on the development of large agricultural holdings, the strategy requires that the Romanian authorities are to focus on rural development. This would facilitate the financing of

infrastructure and development projects and promoting a multifunctional agriculture would allow specificity preservation of the natural, traditional and organic background.

CAP is not able to compensate for lack of vision and strategy regarding the role of agriculture in Romania's economic modernization. Implementation of Community regulations with the purpose of absorbing European funds (the absorption level being reduced) proved insufficient, the need to develop own programs of development in rural areas and agro-food sector is urgent, having to start from the existence of the two sectors: subsistence and agro-industrial.

Acknowledgments

Research has been conducted during the elaboration of the thesis funded by POS-DRU/88/1.5/S/52614 project.

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