

**Position Paper**  
**Friends of the Earth Europe**  
**on the EU CAP Reform proposals of January 2003**

***Towards an agriculture policy of sustainability, quality and local diversity***

## **Introduction**

On 22 January 2003 Commissioner Franz Fischler presented the European Commission's proposal to reform the current Common Agriculture Policy (CAP). Friends of the Earth Europe (FoEE) and the undersigned Friends of the Earth groups are extremely disappointed with regard to the content of the reform proposals. Referring to the first draft in July 2002, the proposals are a real step backwards. The language on the environment and sustainability are simply not backed up by proposals for policy instruments that will make a tangible difference to the environment, food quality or rural development.

Friends of the Earth Europe want to bring an optimum environmental and social reform of CAP. First, we need clear and unequivocal definitions of sustainable farming (so cross compliance brings tangible improvements). Second, to stimulate sustainable farming and agro-biodiversity there is a need for a much bigger chunk of the budget to be shifted to rural development measures, and within this, a prioritisation of agro-environment measures is needed. Third, to help regenerate rural areas and to bring back diversity of choice for the consumer, a localisation of the food chain should be stimulated and local infrastructures should be prioritised.

The CAP reform proposals ignore a major problem of the current CAP and that is the damage that is being done to developing countries by subsidised dumping. Indeed, elements of the proposed reforms may well exacerbate the dumping problem. First, export subsidies have to be abolished because they are damaging for developing countries (destroying farmers' livelihoods) and they reward overproduction (damaging the environment) in Europe. Member States should agree a clear deadline for phasing out export subsidies. Second, Member States should take steps to counter overproduction by agreeing on supply management instruments (such as set aside, quotas and green taxes).

CAP reform could become meaningful. European citizens have made clear that they want something in return for the 45 billion Euro that is spent on EU agriculture subsidies every year. Now is the time for the Member States to deliver real benefits for consumers, the environment, farmers, rural areas and developing countries.

## **Comments on the proposals for CAP reform**

### **1. Cross Compliance – Meeting environmental, animal welfare and food safety standards**

FoEE welcomes the idea of Cross Compliance and the obligation for farmers to meet clearly defined standards in return for Pillar One subsidies. However, there is a need for much greater clarity for farmers as to the standards they will be required to meet. Member States have the responsibility to implement EU Directives and should make clear to farmers their precise obligations under the whole body of EU law related to the environment, animal welfare and food safety relevant to farming practice.

For the sake of completeness, the standards must relate to all relevant EU legislation. The 38 Directives stated in the proposals relate to only part of the current legal standards. These omissions must be addressed and the following EU rules must also be included:

- Water Pollution - The Water Framework Directive 60/2000 EEC
- Health Risks - Directive 76/895 EEC fixing maximum levels for pesticide residues in & on fruit and vegetables
- Health Risks - Directive 86/362 EEC fixing maximum levels for pesticide residues in & on cereals
- Health Risks - Directive 86/363 EEC fixing maximum levels for pesticide residues in & on foodstuffs of animal origin
- Health Risks - Directive 90/642 EEC fixing maximum levels for pesticide residues in & on certain products of plant origin, including fruit and vegetables

A clear definition of good agricultural and environmental practice - to include the basic principles of environmental farming as well as the requirements under the existing body of EU environment, animal welfare and food safety rules - should be set in a framework at EU level (as minimum standards). The EU definition for good agricultural and environmental practice should include an obligation for:

- Land under permanent pasture should be maintained as permanent pasture
- Compulsory set aside - subject to strict environmental conditions for landscape elements like hedges and water biotopes - to ensure that overproduction is curbed. FoE supports the exclusion of organic farmers from set aside obligations.
- Maximum livestock unit per hectare (proposal: 1000 kg live weight per hectare)
- Mandatory crop rotation using meadows or nitrogen fixing crops (e.g. feed legumes/ grass-clover leys)
- Clear and measurable targets for reduced use of pesticides and fertilisers
- GMO free production

## 2. Introducing equity into the CAP

FoEE sees modulation as a very useful tool to introduce some equity in the CAP. It has to be used effectively, however. Modulation as proposed by the Commission will not help to change the fact that 80% of subsidies are paid to only 20% percent of EU farmers.

**Historical references is the wrong basis for a new payments system** - The proposal to base payments on historical references is completely unacceptable because it will continue present inequities in the system and provide a disincentive for new and young farmers. Instead an alternative basis for the new payments system should be considered to bring greater equalisation of payments across the different sectors and European regions. Regions, with large permanent pasture and traditional milk production, for example, should no longer be ignored. FoEE demands a basic payment per hectare for farms that produce according to the standards of "good practice". Farmers who exceed these standards and produce more benefits for the environment and society should receive additional payments.

**Ceiling for payments to individual farms** - The proposal from July 2002 suggested a ceiling for subsidies from the first pillar of 300.000 Euro. FoEE argued in favour of reducing the ceiling to a level more acceptable. However, in the January proposals the idea of a ceiling has been dropped altogether. A ceiling per farm under Pillar One payments would be a good instrument to achieve a more social and environmentally friendly distribution of

subsidies. In the year 2000, there were 1650 farms in the EU in receipt of over 300.000 Euro (Germany:1260, UK:240, Spain:80, Italy:40, France:20 and Portugal:10).

Further, the money saved by establishing a ceiling of CAP payments under Pillar One should be channelled to Pillar Two (Rural Development) where funds are sorely lacking. It is through Pillar Two measures (and subsidies) that agri-environment measures will be supported and that sustainable agriculture will become more widespread.

### **3. Rural Development – shifting money to Pillar Two**

FoEE supports the Commission's idea to introduce new elements within the Programme for Rural Development relating to food safety and animal welfare standards. However we are disappointed that additional funds have not been set aside to support these new elements. This will mean the existing agri-environment measures will be effectively downgraded and there will be fewer positive examples of sustainable agriculture – something the public has made it clear they want.

It is vital that additional funds are directed to Rural Development (Pillar Two) programmes. In the original proposal, presented in July 2002, it was intended to channel 20% of the money from Pillar One into Pillar Two. In the January proposals, only 6% is proposed for transfer to Pillar Two. Further it is proposed that this will only start in 2007, instead of in 2004, as foreseen in the first proposal. This means for the future of sustainable agriculture, disappointment. This is the wrong message to send to farmers and to consumers. We rely on Member States to support the transfer of funds from Pillar One to Pillar Two with immediate effect. Waiting until 2007 to take steps to improve the farming environment is simply unacceptable.

To reinstate a meaningful budget increase for Pillar Two already in 2004 would support sustainable rural development and sustainable agriculture. While Heads of State have defined limits on the growth of Pillar One of CAP at the October 2002 European Council, no such limit was set for Pillar Two spending (Rural Development). Member States thus have the opportunity to support greater rural development spending. We demand a minimum of 20% of spending to be shifted from Pillar One to Pillar Two with immediate effect.

### **4. Agri-environment measures are the priority**

Within rural development, FoEE believes that agri-environment measures should be prioritised. This should include supporting farmers that achieve conditions for organic farming, commit to biodiversity management and continue/restart the production of local varieties (agro-biodiversity). In addition, rebuilding the infrastructures that agri-environmental farmers need in order to sell their produce should equally be prioritised. This would include those measures that foster a localisation of the food chain (farmer to consumer) such as small-scale local infrastructures e.g. processing facilities. At the core of rural development funding should be support for sustainable farming and for the processing, distribution and marketing of sustainably farmed agricultural produce.

### **5. Dairy market reform**

FoEE cannot agree with the Commission proposal to raise the milk quota and to decrease intervention prices. This will exacerbate the dumping problem and lead to a fall in milk prices. As a result milk production in many regions will stop. FoEE believes that the regulation of milk quota is a good instrument in principle to avoid overproduction and to keep milk-regions productive. But the instrument has to be used in a different way than the

Commission proposes. FoEE demands that the quota be adjusted to European consumption levels. In the case of overproduction the quantity must be decreased to avoid dumping on other markets and to keep milk prices at a level that allows farmers to survive in the business. Extensive dairy farming should also be supported by rural development measures.

## **6. Farm audits – a necessity**

FoEE greatly welcomes the principle of farm audits. The proposal that audits should be undertaken only for farms that receive more than 15.000 Euro CAP funding or that have a turnover of more than 100.000 Euro per year is however inadequate. We believe that farm audits should be compulsory for every farm that receives more than 5.000 Euro CAP funding per year, as was the original proposal in July 2002. It has to be noted that for organic farming, farm audits are compulsory for every farm. For reasons of food safety and traceability, farm audits are an important instrument to demonstrate that environmental, animal welfare and food safety standards are being met. Consumers have demanded proof that adequate controls on the farm are in place. Individual farms should not be held responsible if a Member State has not implemented EU law.

### **Issues for reform not addressed in the CAP reform proposals of January 2003 but in need of urgent consideration**

#### **1. Stop dumping – the negative impact on the developing world of CAP**

Dumping is the sale of products on world markets at less than the cost of production and has two main effects: depressing world prices and undermining local domestic production in developing countries because producers cannot compete against cheap imported products. Impact studies reveal that the estimated level of production for the EU's major grain crops in 2009 following the introduction of the CAP reform proposals will remain much higher than the forecast consumption. For example, wheat production at the end of this decade will be about 111 million tonnes, when consumption is forecast to be about 97 million tonnes. Decoupled payments will thus not overcome the structural surpluses and dumping of agricultural produce by the EU. The problem of dumping might in fact become worse. Member States should agree a clear deadline for phasing out export subsidies. And also adopt policy measures now to counter dumping by agreeing strict supply management instruments (set aside, quotas and green taxes for example).

#### **2. Fair prices to farmers for sustainable agriculture and quality produce**

*"Why has the farmers' share of consumer food dollars dwindled over the past century to well below 10% of final sales prices and should and can something be done about it? A slight increase in that share could largely make agricultural support redundant."*

Commissioner Franz Fischler, Leuven, Belgium, Nov. 26, 2002

Friends of the Earth thinks something should and can be done about it. The central problem with the CAP remains its obsession with global competitiveness and the alignment of farm gate prices to world market prices. In reality an overriding goal of competitiveness is flawed because world market prices are artificially low. This is because of the US and EU subsidies and the dumping of their agricultural surpluses on the world market (EU export subsidies and US export credits). Meanwhile, increasingly farmers are denied a fair price for their produce. If

we want farmers to produce sustainably, and new and young farmers to enter the farming profession, society should pay them a fair price for their produce.

### **3. Localisation of the food chain - reconnecting farmer and consumer**

A sustainable CAP should focus on localisation of consumption and production instead of large-scale intensive production. Current agricultural policies encourage international trade and long distance transport. A new CAP should instead prioritise localised trade and provide support for the necessary infrastructure for local processing and marketing. Ever increasing trade and transport is untenable in the long term in a world with shrinking resources and in risk of serious climate change. Increasing global trade has led to a stranglehold over the entire food chain by a small number of Trans National Corporations to the detriment of small and middle size producers.

A reduction in long distance trade would contribute to a reduction in transport costs, congestion, packaging and chemical preservatives. Localisation would also stimulate links between consumers and farmers rebuilding trust where alienation now reigns. Local food economies would provide benefits to local communities, with more money circulating in the local economy, rather than adding to profits of large corporations elsewhere. Localisation would improve food safety by reducing the risks of spreading of diseases. Current animal 'production' in the EU, largely for export, is very unsustainable, using up large amounts of land outside the EU for fodder and polluting soils, air and water in the EU.

International trade will and should continue, but should lose its privileged position in the CAP policy and funding system. De-prioritizing international trade and giving a higher priority to local and regional trade: small and medium-sized farms and food companies and support for local infrastructures is a prerequisite to sustainability. A policy of localisation in a new CAP would be a large step on the path to sustainable agriculture and food for Europe.

### **4. Green tax reform: internalisation of environmental costs**

A green tax reform as part of a CAP reform would introduce taxes on farm chemical inputs and transport, thus encouraging a more environmentally friendly agriculture and a more localised food chain. Taxes on pesticides and nitrogen should internalise the external costs of environmental damage (e.g. cleaning up water) and lead to less overproduction and less use of inputs, and thus healthier food products (with fewer harmful residues). In addition, the benefits would also be the reduced safety risks for farm workers, a less polluted air and soil and a higher protection of biodiversity. Revenues from these taxes should be given back to agriculture, in order to support sustainable agriculture. Further, tax subsidies to fossil fuels in agriculture should be phased out.

### **5. Corporate accountability for agri- and food business**

*"The market reality of today is different from that of say 30 years ago. We have observed a dramatic concentration of the retailing and processing sector over the last two decades, with a few firms in each country controlling most of the market"*

Commissioner Fischler, Speech in Brussels, 12 April 2002

The current food system is characterized by an increasing dominance of a small number of retailers, food distributors and processors capable of imposing their own interests on society and acting as arbitrators of the agriculture and food system. Whereas farm prices for many products have fallen over the last decades, consumer prices have often not followed this trend. Middlemen, supermarkets and agribusiness have reaped the profits at the expense of

farmers. It is time for the EU to develop policies to enforce corporate accountability on the EU level as well as on the global level. Corporate accountability policy should include measures on the citizen's right to know in order to mandate corporate transparency, legal liability and full disclosure regarding financial transactions and relationships with governments. The EU should take action to prevent market domination by agri-business and food corporations. Policies should include limiting market share through competition rules.

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