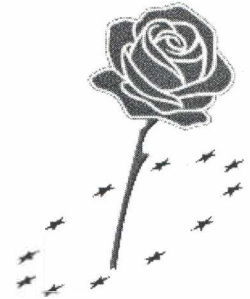


De Europæiske Socialdemokraters Parti • Sozialdemokratische Partei Europas
Ευρωπαϊκό Σοσιαλιστικό Κόμμα • Party of European Socialists
Partido Socialista Europeo • Parti Socialiste Européen
Partito del Socialismo Europeo • Partij van de Europese Sociaaldemocraten
De Europeiske Socialdemokraters Parti • Partido Socialista Europeu
Euroopan Sosialidemokraattinen Puolue • Europeiska Socialdemokraters Parti



CAP REFORM AND FOOD SAFETY

(Working document for discussion by the PES Presidency)

Why envisage reforming the CAP again ?

The Common Agricultural Policy has succeeded (and more) in meeting the objectives set by the Treaty of Rome: to increase agricultural productivity and ensure a balanced life for farmers; to stabilise agricultural markets and secure agricultural supplies; and to offer consumer products at reasonable prices. It has made Europe one of the great agricultural powers of the world despite a constant and inevitable decline in the number of agricultural workers and it has contributed to the wealth and the modernisation of the Member States. However, behind these brilliant results the system has undergone sufficiently large dysfunctions so that we are now considering a reform of the CAP in 2002 without waiting longer, especially the adoption of a new budgetary framework in 2006.

The first reason is a result of the agricultural policy-making calendar itself: in 2002 it will be necessary to revise the common market organisations for milk and beef which were not dealt with under Agenda 2000. Next, the negotiations on enlargement of the Union mean that certain changes to the instruments of the CAP to enable facilitate the arrival of new Member States. A new cycle of WTO negotiations could also entail changes to the CAP as a result of our international commitments. Finally in 2006 the financial perspectives will have to be revised. We have only 4 years to say what we want to say and do what has to be done. That is why we think it is necessary to urgently reform the CAP which was for a long time the cornerstone of a united Europe.

The consequences of the BSE crisis have shown the urgent need to reform the CAP which must from now on respond at the same time to economic, social and environmental demands. This epizootic disease, the consequences of which are still unknown, provoked a real loss of confidence by global society in its food system, the *productivist*¹ system of production has been called into question and is suspected of putting the environment at stake and worsening the quality of food, and is critical of the agricultural policy decision-taking system which is considered to be undemocratic or not transparent. This justifies therefore, in our opinion, CAP reform in order to make it correspond to our citizens' legitimate expectations and to renew the relationship of trust between farmers and consumers.

We believe that this reform should be put forward rapidly to take advantage of the first series of deadlines which will allow the 15 member states to broach the subject and send out the right signals to both farmers and consumers on the aims and instruments of the new CAP at the beginning of the 21st Century. However, we will have to be honest with our fellow citizens. Production methods vary from country to country, from region to region and the number of agricultural workers will continue to fall for clear demographic reasons. This means that we need to find a 'technical-economical optimum' for each natural region and for each type of production – a type of agriculture which will allow the supply of cheap, quality agricultural products whilst respecting the environment and animal welfare, and providing a sufficient income for those involved. We could call this the European Agricultural Model.

The principles of the reform

The CAP will remain the first and principal common policy. If it has fulfilled the objectives that the Treaty of Rome gave it, it has also favoured community integration and has contributed to bridging our

¹ This word covers – in fact – the harmful effects of intensive farming per unit of farming surface. This should logically lead the destroyers of *productivism* to encourage the development of extensive estates...

economies and societies. We have to examine its reform by keeping these results in mind and by asking what are the long-term objectives that we intend to set the agricultural sector and the main principles that we want to subject the CAP to.

In this political perspective, the agriculture, food and rural world positions must be defined in our societies, by taking into account all factors involved, mainly the consumers and farmers. The difficulty lies in the fact that our societies expect the agriculture sector - as a human activity - to produce different goods and services, sometimes goods, sometimes non-goods and expecting - in most cases - that quality be at the cheapest price possible even though this might seem contradictory. Therefore, for us, the search for the greatest possible quality possible should not lead to price increases in agricultural products leading us to a double system of food provision - one for the rich and the other for the poor, nor to a situation whereby the increase in quality standards leads to the exclusion of products from developing countries from our markets. This demand often leads to speaking about the *multi-functionality of agriculture*, which is a modern way of naming a problem without resolving it. But the idea that agriculture must both ensure the manufacture of goods (agricultural products) and collective public property (water/air/space) is nowadays accepted and we must admit this.

We can agree on the following aims and demands:

- ◆ Agriculture must provide the necessary products in sufficient quantity and at a satisfactory, controlled level for all European populations and offer the cheapest market price possible. The production objectives still remain at the heart of the collective need that is expected of agriculture and is still the basis of any farming career. The realisation of these objectives supposes the continued development of the productivity of work - even if it is better controlled- and must form the major part of farm labourers' income. In addition, we consider self-sufficiency in food and the security of our supplies as a legitimate and desirable objective thus justifying community preference, the implementation of which should be sufficiently reasoned and flexible so as not to exclude products from third countries, especially developing countries.
- ◆ Agriculture must bring its contribution towards satisfying new demands regarding collective and natural public property: water, soil, space, health, ... which are considered by our citizens to be essential and at stake and is the responsibility of farmers even though they are not agricultural products. These services do not generate pay directly from the work they cause.
- ◆ Society demands that farmers provide food in *good conditions* whilst respecting the environment and maintaining or rendering man's control over landscape and nature. This must lead to encouraging and promoting traditional types of production (organic farming) or extensive grass farming of free-range meat, and to discourage intensive farming with harmful environmental consequences, to encourage the development of more balanced production methods which could represent - in farming - the implementation of long-term development.
In other words, the CAP must be reformed in all sectors and in all market organisations so that - without sacrificing efficiency - it can comply more with the qualitative demands of the consumers.
The new defining words for the CAP will become:
 - Quality, verifiable at all stages
 - Prices, enabling universal access to quality products
 - An environment that is respected and protected.

This will be a long and difficult task, as this reform will be submitted to a certain number of constraints.

The constraints which affect the CAP's reform

- ◆ The first and most simple constraint is the budgetary one. Its framework is fixed until 2006. It is therefore out of the question to review this decision and consequently it is accepted that any CAP modifications until the end of this period and whatever their scope must adhere to the forecast set out in Berlin.
This constraint could be more difficult to deal with in the framework of any forthcoming reform if - for example - part of the funds used to compensate price reductions were allocated in the future to the Second Pillar.

- ◆ In effect, these funds are linked to the structural funds destined for disadvantaged rural zones or to funds, which are attributed to cohesion policies. It is therefore necessary to take account of divergent or convergent evolution of both joint policies.
- ◆ The second constraint is linked to EU international commitments, which require that changes to the CAP be compatible with commercial agreements, which have been concluded within the framework of the WTO. We have committed ourselves to reducing direct aid to production and to reducing subsidies for export products. We can easily imagine that a new round of negotiations would confirm this and therefore it is necessary that any reform does not contradict the commitments made at the WTO. We must expect new requests during these negotiations, such as increased access to our markets of products from developing countries. We must therefore, to ensure that these are not just hollow words, help them develop their production mechanisms to meet Community standards, notably by increasing development aid.
- ◆ The third constraint is linked to enlargement. It will soon be time for candidate countries to negotiate the framework and timing for their membership and consequently their CAP participation. The modifications put forward will have to anticipate the regimes that will be used – especially in common market organisations in the beef sector as well as the milk sector.

The forthcoming reform directions

If we accept what has been stated above and we look closely at the new needs of society and the constraints that affect the CAP, we can propose reforming the CAP in five ways:

1. Re-think and reorganise farming production systems, which favour intense farming per hectare and use pesticides that can harm the environment. Firstly, this concerns intensive animal production: concentration must be limited and the effects must be controlled - especially in the pork, poultry and to a lesser extent the dairies sector. The regions most affected by this type of breeding will have to have specific programmes. At the same time, the more extensive breeding and production of animals reared on grass and protein of vegetal origin must be encouraged. This type of production ensures quality animals without manipulation of any sort and uses the land satisfactorily. It complies well with new demands but supposes that there is a lot of land and that it is cheap. In spite of the political problems which such a reorientation might cause – already partially covered by the directive on nitrates – it should be the first one to give a clear signal to farmers and consumers in the mid term CAP review.
2. Improve qualitative performances in all production sectors. Consumers want all farming products to be better and healthier, and they will not be content with a few measures in favour of organic farming which will only cover 15% or 20% of our needs. It is therefore in all forms of production – in all sectors, all regions, whatever the size of the farm - which must be encouraged to adopt more reasonable methods of production which respect the environment and combine both efficiency and quality. This orientation must favour sustainable development and must mobilise all European research centres to devise valid and acceptable recommendation systems. It is also the moment to stress that the new social demand concerning farming has resulted from increased scientific control and techniques and not from regressive alternative illusions. This effort – which addresses all farmers – is the best guarantee for maintaining unity within the CAP and is an established principle of the Union. This reorientation of production mechanisms must also lead to a fall in the amount of money spent on the CAP first pillar and be replaced by transfers made possible by the techniques of degressivity or modulation.
3. Transferring part of direct funding to the 2nd Pillar
The undertaking of this sustainable agriculture, which will dispense farming products and collective public goods linked to nature, can be placed within the framework of the 2nd pillar of rural development. But the contents of the 2nd pillar will have to be reviewed to enlarge it and make it more flexible so as to give aid through *good agronomic practice* to each large sector of production according to their environmental efficiency. Thus, a part of the aid given to farmers would be linked to *environmental service rendered*. The reviewed 2nd pillar would be funded by a simplified modulation or, even better, through degressive aid to products and – if necessary – by transferring from one pillar to another. The re-routing of part of this aid to a *green box* must however allow product aided funding to enable production to continue by using intervention mechanisms or

security tightropes according to specific systems for the different common market organisations. This reorientation of the funding system through multiple objectives, even though it is easy to comprehend, is extremely delicate to put into practice as it requires convergence of agronomic expertise (what are the most appropriate systems or combinations which are adapted to these different objectives in the various agricultural regions?), economic expertise (what are the best levels of aid to ensure production with these new constraints and taking into account the market prices?), and administrative expertise (what are the good administrative procedure to ensure both flexibility and control ?). This task must take account of research from both the private and public sector as well as from the numerous professional organisations that are already working on this in order to gain a maximum level of consensus around what should become the *new European agricultural model*. The Commission can only carry out this task. Finally, this reorientation could perhaps facilitate the solution of some political questions that have already been raised. In effect, the 2nd pillar already allows for co-financing – which under the new method will be far more voluminous – and which will reduce national contributions. Furthermore, this new funding system could be more easily accessed by new members and would allow candidate countries to modernise their agriculture based on this new method of production. In addition, when certain actions linking Community financing and national co-financing could lead to an increased Community contribution resulting from a transfer from the first to the second pillar, the co-financing element could be decreased as a proportion, benefiting the proposed reorientation.

4. To further integrate the implementation of the CAP

It is in the field of the CAP management that conclusions can be drawn regarding the consequences and lessons to be learnt from the Mad Cow disease. First of all, standards must be set up to trace products in order to guarantee their quality to consumers – there are still some loopholes here. The European health security agency will play a vital role in developing this work as well as the different scientific committees. But, the necessary political decisions for reform must not be blocked by the vested interests of the various different Member states. That is why we thought that the European Council itself should establish the programme of directives and rules which should be adopted by majority voting as well as set out the calendar as it did for the implementation of the single market. Public opinion must be informed that if no political decision is taken at Heads of State and Government level, there will not be widespread CAP reform as we hope. Finally, it is necessary to create a real and strong monitoring authority, which is answerable to the Commission – the guardian of the Treaties. This authority will have the power to sanction member states severely. We saw what happened with mad cow disease: the national and community control systems failed far more than the decision-making systems. We must be rigorous and demanding prior to enlargement in this area, as we are aware of the situation.

5. Decentralisation of CAP management

By reorienting the CAP, it is obvious that the objectives and means of the 2nd pillar must be reviewed. However, we know that the contents of agriculture which tend towards sustainable development will not be defined in Brussels, in Berlin or Paris, but will be a decision taken at a closer level to those concerned. That is why it is important to give flexibility to the regions when negotiating objectives under the direct or indirect control of the Commission and the Council. This decentralisation means that reform will be carried out by all those concerned. It will also allow for the participation of decentralised communities to co-finance the 2nd pillar and will promote local or regional products. Finally, in this effort to involve all actors in a definition of the CAP we need to ensure a better participation of the European Parliament and national parliaments in the system whilst respecting the powers of the Commission and the Council.

CONCLUSION

The five main political points are within the main international and budgetary constraints. The CAP is being reoriented according to the citizens' expectations and in a manner, which is acceptable to farmers. They must now be perused by technicians and negotiators in order to be discussed at depth in a European Council debate when the mid-term review comes up in order to give the necessary political impulse to this issue.

Henri Nallet
27th November 2001