
For a fundamental reform of the EU Agricultural Policy

The “Common Agricultural Policy” must become a policy that is focused on the common good. The provision of public services must pay off. Europe’s agricultural policy must no longer cost the earth.

Imprint

This platform was jointly developed by the undersigned associations as part of a Research and Development project carried out by the European Natural Heritage Trust (EuroNatur) and the Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL, a German family farmers' organization) with support from the German Federal Agency for Nature Conservation (BfN). The project is entitled: "Neue Lissabon-Strategie und ländliche Räume - Chancen und Risiken für den Naturschutz" (The new Lisbon Strategy and the rural areas – opportunities and risks for nature conservation).

The project is financially supported by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.



Rheinbach/Hamm, April 2010

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1. Summary

The Common Agricultural Policy (CAP) of the European Union is facing yet another overhaul, a task the EU has set itself at the occasion of the previous reform of the CAP. At the same time the multi-annual budgetary framework for 2014-2020 is to be drawn up, at the occasion of which all budgetary items of the EU budget will be subject to close scrutiny.

All this puts increased pressure on the agricultural policy to finally accept and actively pursue the need for reform, as voiced in many quarters. If this does not happen, agricultural policy will undermine its own legitimacy with the taxpayer.

The Common Agricultural Policy (CAP) of the European Union is facing a whole range of massive challenges:

- the increasing number of people starving in the world as well as international trade rules and structures which undermine food sovereignty in particular for people in impoverished countries,
- climate change and a negative carbon footprint in European agriculture and the food industry,
- the continuing loss of biodiversity,
- the loss of millions of jobs in European farming and the resultant further weakening of the rural areas,
- and a public and consumers who voice their wishes and demands in terms of food quality and the manner of food production, e.g. in terms of animal welfare, fair trade, and freedom from GMOs.

Therefore, agricultural policy must leave the days of being a classic sectoral policy behind and adopt important tasks with a view to achieving long accepted sustainability objectives.

The challenges mentioned above are in part also results of the EU agricultural policy to date, which further highlights the need for a fundamental re-orientation of the CAP.

We, the undersigned associations, represent a broad spectrum of interests. We have come together on this platform in order to point out the need for a major reform of the CAP, to present our joint demands and to propose solutions.

We find that a discussion on what the Common Agricultural Policy is supposed to achieve is no longer taking place. However, it is this very debate on policy objectives that is needed. It is not sufficient to just talk about policy tools.

Our aim is clear: Our guiding principle is a multifunctional, environmentally sustainable family farming sector with global responsibility. In other words, a farming sector the function of which it is not to solely produce cheap raw materials for the food industry and the energy sector in an industrial fashion, but a sector that produces food, shapes ecologically intact cultural landscapes throughout, creates employment, respects animal welfare, and is serious about global development issues as well as climate protection.

In order to address the challenges listed above, the undersigned associations call for a new and coherent package of agri-policy instruments which go far beyond the issue of the distribution of funds which is so vehemently being debated at present. We call for drastic changes in the way European funds are deployed. But this is not the only issue crucial to achieving the objectives. The detailed design of market rules and sectoral legislation as well as international cooperation and the EU trade policy must also be placed in the service of addressing the current challenges.

What is needed is not the pursuit of individual objectives, which are in part diametrically opposed, but a coordinated and coherent policy. Agricultural policy must be developed into a rural development policy which can be measured against criteria of sustainability.

The associations call for the following key changes in Europe's agricultural policy:

- The Common Agricultural Policy (CAP) must assume its responsibility for **functioning markets**, both for the internal European and the globalized markets.
- Market rules within Europe must be set in such a way that all parts of the food chain – from producers to consumers – are in a position to equitably engage in a **fair reconciliation of interests**. It is not the governments' responsibility to create an equilibrium between supply and demand, but to enable the various market operators to do so in an effective and flexible manner. State intervention (purchase and storage) in the EU must be abolished. It has degenerated into an instrument for surplus and export management of mass products and is not suited as a "safety net" for a multifunctional farming sector in the EU.
- Europe's **global responsibility** must find expression in the resolute abolition of the dumping of EU products. At the same time, the particularly impoverished countries must be given the right to protect and develop their own agriculture and food sectors. The strengthening of multifunctional family farming is essential to ensuring global food security. This entails that EU agriculture must also abandon its own focus on least-cost world markets and adopt multifunctional, environmentally sustainable family farming as its internal guiding vision.
- **Any EU payments must be qualified by making them conditional upon the provision of concrete services to society**. Flat-rate payments enable some holdings, i.e. greatly rationalized holdings, to sell products below the cost of production while in multifunctional, environmentally sustainable family farms the same payments do not even cover the cost of production or compensate for income foregone as a result of services performed that benefit society. Therefore, flat-rate payments must be replaced with the remuneration of non-marketable services desired by society.
- To this end, the **target-specific incentive measures** which are currently assigned to the Second Pillar (Rural Development), e.g. agri-environmental measures, conservation management agreements, and animal welfare measures, must become the core of support policies and must be greatly expanded right at the start of the new funding period (2014).
- We consider **organic farming** to occupy a special position. It is a coherent system and meets a whole range of objectives of the Common Agricultural Policy. It is the agricultural production system which makes the most effective, i.e. most sustainable, use of the resources employed. Cornerstones of organic farming include the maintenance of biodiversity and of a diverse landscape, promotion of soil fertility, respectful treatment of livestock, low energy use, reduced production of greenhouse gases, and the provision of employment in rural areas; therefore organic farming should receive increased support.
- **Less-favoured areas** and areas the management of which is also of significance for nature conservation must receive qualified support. Similarly, holdings must **receive compensation for regulatory mandatory requirements** in clearly defined geographical areas resulting from designations of e.g. nature reserves, NATURA 2000 sites, or large-scale reserves (i.a. , country parks and biosphere reserves).
- **Investment aid** must be **limited** to undertakings designed to achieve special standards in the areas of animal welfare, nature conservation and environmental protection.
- Mandatory **national co-financing** must be introduced for all support measures, i.e. not just for target-specific remunerations but also for the payments to be qualified. To date, the EU has paid for 100% of the single farm payments, out of all things. In future, measures aimed at achieving outstanding performances by farm holdings in the areas of nature conservation,

environmental protection, and animal welfare should receive the highest co-financing rate possible from the EU budget. This is to give an incentive to the Member States to increasingly offer such measures.

- The **sectoral legislation** in the areas of nature conservation and environmental protection in its current form is insufficient to achieve minimum ecological standards. It has not been able to halt biodiversity loss, while at the same time the burden of administration and control for both farmers and the administration has increased. Existing sectoral legislation must be made more effective with a view to an environmentally sustainable family farming sector.
- **Product labelling** must be transparent. Meaningful product labelling is an important component of the consumers' freedom of choice. Product quality and origin must be visible externally; consumers must not be deceived by images and text on packaging.
- We call for a possible short **transition period**, until such time as the transformation of the CAP into a new coherent system has been completed, **during which all remaining payments under the current system, i.e. including the current direct payments, are made conditional upon effective ecological and socio-economic criteria**. The ecological criteria should include:
 - Minimum requirement for crop rotation: a single crop to take up no more than 50% of the arable land and a minimum share of 20% of legumes (including grass-clover ley or legume mix);
 - Ecological compensation areas to comprise a minimum of 10% of the holding area (for large plots of more than 5 ha in size there should also be a minimum share per plot); the following areas are considered ecological compensation areas: species-rich grassland and arable sites, strips sown in wildflowers, field margins and buffer strips, hedgerows, copses, and watercourses;
 - Complete prohibition on the ploughing up of grassland in sensitive areas (e.g. fens, other lands with a high groundwater level, floodplains, slopes); ploughing up of grassland in other areas to be subject to permission and to be mitigated by re-seeding;
 - Demonstrably balanced nitrogen (N) budget per holding;
 - No cultivation of genetically modified organisms (GMO).

The following socio-economic criterion should be introduced:

- We call on the EU Commission to pick up on their proposal of May 2008 (Health Check) for graduated payments and to include the employment factor in same. Holdings which offer much employment (relative to the holdings' area) must no longer be put at a disadvantage compared to rationalized holdings with a minimum labour force.

2. Introduction

Europe's taxpayers provide large sums of money for the European Union's "Common Agricultural Policy" (CAP) – almost €60 billion per year. However, the central problem is not the fact that the agricultural policy costs money, but that despite the vast sums of money spent on it, it does not sufficiently address the growing complementary roles that farming plays within society. Moreover, it tends to accelerate many negative developments associated with certain types of land management, livestock keeping, the food industry, and international agriculture trade. At the same time, the positive services provided to society in a variety of ways by many agricultural holdings and other players in the rural areas are recognized in rhetoric but neglected and disadvantaged by agricultural policy.

Since 2003 the EU has been the world's largest exporter of agricultural products, ahead of the USA and Brazil. Any reform of the European agricultural policy has global repercussions. Therefore, the EU has a special responsibility towards impoverished countries. It must ensure that it does not do harm to development in these countries and it must meet its responsibilities in the areas of development policy (Millennium Development Goals, policy coherence) and human rights (right to food). Once again the food crisis has highlighted the importance of support for food production for local markets in the impoverished countries and of the reduction of dependence on the world market.

Within Europe, the EU agricultural policy by its design favours a small number of holdings and thus fails to meet its responsibility to society as a whole. Compensatory measures as part of the agricultural policy try to mitigate against the resultant impacts on the environment, animal welfare, and on family farms – as yet without success.

New treaty – Old objectives.

Objectives of the CAP according to the 1957 EU Treaty and today

Treaty establishing the European Economic Community (1957)

„(1) The objectives of the common agricultural policy shall be:

a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;

b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

c) to stabilize markets;

d) to assure the availability of supplies;

e) to ensure that supplies reach consumers at reasonable prices.“

European Community: Treaty establishing the European Economic Community 25.03.1957. Article 33 and 39 respectively.

Current EU "Treaty of Lisbon"

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Council of the EU: Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Official Journal of the European Union, C 83/62, 30.03.2010

This failure of the EU agricultural policy is also expressed in the objectives laid down by the EU for same. These objectives have remained unaltered since the foundation of the Union, i.e. since 1958! They are lacking any reference to the need for action with regard to nature and the environment. Similarly they do not include global responsibility, animal welfare, or the provision of employment opportunities, despite the fact that the new Treaty of Lisbon only recently came into force on December 1, 2009.

The objectives of the EU agricultural policy are thus in urgent need of updating. The EU's in part highly contradictory conduct in this field must be replaced with a policy that is coherent, committed to the common good, and uses funds efficiently and in a targeted manner.

Current challenges

Compared to the founding years of the Community, the agricultural policy has long since been confronted with new challenges to which it must respond in an effective and coherent manner:

- To conserve a **living diversity of plant and animal species** is more than just an ethical, cultural and aesthetic concern; it is the ecological and thus the economic basis of future agri-culture. Its basis is both a “basic ecological infrastructure” in the agricultural landscape, i.e. a network of areas of ecological importance, and ecologically sustainable agricultural land use throughout.
- **Farming that protects soil, water and the climate** is not only the fundamental basis of future food production but the very resource base on which the life of future generations depends.
- In order to **feed the global population** today and into the future and in order to meet the major challenges of globalization, the Common Agricultural Policy (CAP) must also assume **global responsibility**. The negative impacts resulting from the European agricultural policy and the farming sector on developing countries must be prevented with foresight; this requires engagement on the part of the CAP with internationally applicable rules and regulations and standards.
- The production of **energy crops** on arable land (in Germany this is primarily oilseed rape and maize) is increasingly competing with food and feed production and, in part, has negative impacts on nature and the environment.
- The loss of **several million jobs** in European farming and the resultant weakening of rural areas must end and be reversed.
- And last but not least the **diverse consumer demands** regarding inherent food quality and the quality of its production, processing and trade provide the economy with **opportunities for economic added value**; this opportunity should be grasped proactively instead of support being provided for the development of ever larger industrial-like structures. In this context, meaningful and truthful information about the foods and services in question is a prerequisite to the consumers' freedom of choice.

It is symptomatic that the so-called “new challenges” have not found their way into the agri-policy objectives of the EU's new Lisbon Treaty. The EU is still a long way away from a coherent policy, from the integration of the sustainability principle into traditional policy areas, and from global responsibility, not just in its actions but also in its aspirations.

The agricultural policy reforms to date have not changed this situation – the reforms of 1992, 2000, 2003 and 2008 were more like patch-ups than that they instigated the necessary policy re-orientation.

An old analysis that is as yet without repercussions

In 1991 the then EU Agriculture Commissioner MacSharry penned his strong criticism of the agricultural policy: "The status quo cannot be defended nor maintained. It is also important to point out that even with a 30% increase in the farm budget, from 1990 to 1991, farmers' incomes in Member States are set for further decline. Our policy has not prevented large numbers of farmers leaving the land. 80% of resources go to 20% of farmers because of the system's linkage of price support to food volume."

A lot of money that is going to a small number of profiteers and has devastating societal consequences. This was the key message emanating from Brussels in 1991. Therefore, according to the then Agriculture Commissioner, the policy mechanisms must be "**fundamentally**" reviewed as the existing system does not take adequate account of the incomes of the vast majority of small and medium size family farms and at the same time causes ever increasing expenditure.

MacSharry considered slowing down the productivity spiral or, at least, making transfers of public funds to the farming sector conditional on such a reduction. He articulated **an entirely new objective of the Common Agricultural Policy (CAP)**: "*Sufficient numbers of farmers must be kept on the land.*", he wrote at the time. "*There is no other way to preserve the natural environment, traditional landscapes and a model of agriculture based on the family farm as favoured by society generally. This requires an active rural development policy and this policy will not be created without farmers.*"

On February 1, 1991 the EU Commission officially presented these opinions and proposals in their Reflections Paper entitled "The Development and Future of the CAP" and put forward the following **new CAP objectives**:

1. To keep sufficient numbers of farmers on the land in order to preserve the natural environment, traditional landscapes and a model of agriculture based on the family farm.
2. A recognition that the farmer fulfils two important functions: firstly that of producing and secondly that of protecting the environment in the context of rural development.
3. A rural development policy supporting the above, which is targeted not only at the agricultural sector but also at the promotion of other forms of economic activity.

MacSharry thus articulated **fundamental principles for a reform of the CAP**, which unfortunately however were not picked up and implemented by the Council of Ministers but which are **still valid today**.

Incidentally something has changed since MacSharry: 20% of farmers no longer receive 80% of the resources – now they get 85%!

With a view to the new funding period of 2014-2020 the officials are yet again discussing a new reform. This is a confirmation of the great need for reform and it can well be deemed a show of political incompetence that the debates are still going on after 4 reforms in a mere 10 years. Now is the time to move forward towards an agricultural policy reform that is deserving of its name, as society is paying a heavy price for the fact that the agricultural policy has not been held to ask with regard to making its contribution to safeguarding important foundations of society.

EU agricultural policy must become effective in a positive way

Given the negative impacts and experiences with the CAP to date, its complete abolition may to some appear as a way out. However, the challenges are too great and too urgent to concede common political action. On the contrary, experience has shown that "the market" by itself does not solve environmental and social issues. A withdrawal of the EU from agricultural policy would not only lead to a "survival of the (financially) fittest" situation between Member States, but

following deregulation those players who contribute least to society and consume most of the common goods tend to be the ones dominating market activities.

Thus the political decision-makers as well as the profiteers of the policy have further undermined acceptance of the Common Agricultural Policy amongst both the general population and the majority of farmers. This in turn plays into the hands of those EU policy areas which are keen to get their hands on the agriculture funds and which – in the course of the EU budgetary audit – look upon the agriculture budget as a goldmine for their financial interests. After all, the distribution of about 40% of the EU budget is at stake.

The European Union will not be able to avoid reorganizing its agricultural policy. The longer it takes to change tack the more expensive it will be.

Broad civic platform for a fundamental reform

In order to voice the urgent need for the reform of the EU Common Agricultural Policy, 27 associations with very diverse areas of activity within society have come together under the umbrella of this agricultural platform paper. While we represent a range of different interests we stand for a common solution. Our analysis, our demands, and our proposed solutions aim to show how the different interests in agricultural policy could be and should be reconciled.

This consolidation of a variety of interests also mirrors the approach that needs to be taken with regard to the Common Agricultural Policy: We have to get away from looking at individual interests in isolation, which inevitably leads to a policy full of contradictions. Instead, the approach must be a conscious, balanced integration of different aims and tasks. We have to get away from allowing a few to maintain their acquired rights and move towards a truly comprehensive – common – policy.

The platform associations represent a significant share of society. Both individually and as part of a range of different alliances they have long been working towards incorporating these societal concerns into practical agricultural policy.

In many fields this is already having an impact; safeguarding GM-free farming and food is but one example. This work is enjoying a degree of support in the general population that is by no means a foregone conclusion.

This broad public consent and approval are both mission and incentive for the associations to jointly work towards a fundamental reform of the EU agricultural policy. It should also give the political leaders cause to actively implement the demands and respond to the urgent need for action. It is intrinsically necessary and it is also needed in order to maintain public acceptance of the agricultural policy.

3. EU agricultural policy is still costing the earth

Not only is the EU agricultural policy very expensive but we are also paying dearly for its impacts:

- The fact that the **diversity of plant and animal species as well as habitats** in Europe continues to decline has to do, to a great extent, with the decreasing diversity and increasing intensity of land use. Many landscapes are almost devoid of ecological structures due to rationalization in farming, enlargement of plots, optimization of cultivation techniques solely with a view to achieving the highest yields possible, and climate change. The decline of bees and other wild insects which no longer find sufficient habitats and food is an example of how such negative ecological developments also have negative repercussions for the farming sector itself. It is therefore a matter of urgency – also with a view to farmers' economic self-interest – to establish an 'ecological infrastructure' on all holdings and right across all of Europe's agricultural landscapes with a minimum of 5-10% of the agricultural area devoted to flower-rich arable and grassland areas. This objective needs to become part of a long-term sustainable agricultural policy.

It is important to bear in mind that the **continuing decline of biodiversity and habitats** is not a result of continuous and widespread disregard of the law on the part of the farmers but it takes place within the confines of the law. What the policy terms "good agricultural practice" and "good agricultural and ecological condition" does not necessarily prevent the deterioration of nature and the environment. While the current support programmes for environmentally-friendly farming methods (agri-environmental measures) which are limited to a proportion of agricultural land have indeed achieved successes in small areas, they can not make up for adverse impacts resulting from direct payments which are as yet not conditional upon effective targets.

- While the deposition of nutrients and plant protection products in soils, surface waters, groundwater, and in food has declined to some extent, health-based thresholds and ecological carrying capacities are still being exceeded. Moreover, there is an ongoing process of concentration of the sources of deposition, in particular with regard to the increasing concentration of livestock production in a few regions of Europe. The problems have long been known but both the legal provisions and financial incentives designed to counteract these trends continue to be insufficient.
- Contrary to the publicly proclaimed aspirations, Europe's agricultural policy is not a contribution to **addressing the growing problem of world hunger**. Quite the opposite! With its agricultural policy the EU has repeatedly violated the requirement of coherence and the right to food. The decoupling of agricultural subsidies from production has not prevented the recurrence of significant overproduction. Domestic producer prices come under pressure and in turn exports are increased (Example: milk).

EU agricultural policy goes hand in hand with trade policy. Bilateral and multilateral trade agreements drive tariff reductions for European agricultural products in developing countries with a view to opening up new markets for surplus production. By supplying the well-heeled middle and upper classes in developing and newly industrialized countries, our food industry is aiming at conquering markets at the expense of indigenous producers. The EU encourages this private-sector engagement and supports it through its aggressive trade policy strategy entitled "Global Europe" which aims at gaining market access in developing countries. Trade agreements deny these countries effective and adequate safeguard measures. Market disruptions and negative impacts on small farmers are knowingly accepted. With its agricultural subsidies the EU directly (through export subsidies) and indirectly (through

unqualified direct payments and investment support) promotes export and it is the poorest people who are affected most by EU dumping.

- But not only dumping is problematic from a development policy point of view. The domestic increase in meat production is inseparable from a **major increase in imported feedstuffs**. In the countries of origin the production of these feedstuffs leads to the displacement of small farmers' families, to land conflicts and to environmental problems such as the destruction of rainforests. The increase in soya production comes at the expense of the production of staple foods.
- In parts of Europe, **climate change** is jeopardizing farming activities. It is frustrating that European agricultural policy itself is, in part, responsible for climate change. Due to many years of inappropriate incentives and insufficient countermeasures, European farming itself has a negative carbon footprint. Large amounts of carbon which had been sequestered in the soil was released when peatlands and wet grasslands were drained, often with financial support, and when large areas of grassland (meadows, pastures) were ploughed up to make way for tillage crops (maize in particular). Moreover, the carbon footprint of the EU's meat and dairy industries is significantly enlarged due to the fact that farmland on other continents is occupied to satisfy our increasing need for feed imports.
- An aggravating factor in recent years has been the **increasing production of energy crops**. The depletion of fossil fuels and further unqualified support for renewable energy sources are leading to an insatiable demand for cropland; food, feed and energy crop production are already in fierce competition. Global responsibility of the EU in matters of agricultural policy means that these issues must be taken into account and that possible countermeasures are actively integrated into the political regime.
- Through its agricultural, structural and competition policies, the EU internally supports the **concentration of food processing and trade**, up to and including the emergence of quasi-monopoly companies. As a result, the **formerly broad range of regional and local specialities** has become more and more **impoverished**. This applies both to the diversity of crop plants and livestock and to the diversity of food processing techniques and thus food items. Moreover, the design of the EU-wide hygiene regulations and their national implementation, both of which primarily take their orientation from the risks inherent in industrial food production and processing, are putting especially the artisan food processors under pressure. The attempts at counterbalancing this problem by way of quality assurance and designation of origin labels are lagging far behind.
- Despite the fact that the majority of European consumers and farmers are in favour of GM-free farming, the European Commission and the Council of Ministers keep yielding to the pressures exerted by the genetic engineering industry. This is true for imports, production, labelling, liability and the so-called coexistence rules, leading to a situation where, ironically, it is those who wish to refrain from the use of genetic engineering and thus safeguard the **right to GM-free production and food** who have to bear the cost and deal with the damage caused. This runs counter to market-driven policy which aims to respond to consumers' wishes.
- **Animal welfare in livestock production** has as yet not been established as a binding objective of the Common Agricultural Policy. This is one of reasons why the efforts to introduce minimum animal welfare standards in certain areas have been so sluggish. In the economic race for global market shares, global competition takes priority over animal welfare when it comes to husbandry, transport, and slaughter conditions. The continuing industrialization and concentration, especially in the poultry, pig and dairy sectors, into increasingly larger units in relatively confined areas, further aggravate the situation as the major investments made into these units force up the price of any later adaptations. At the same time, the ban on battery cages for laying hens and the delisting of "cage eggs" by the trade show that

developments in livestock production which run counter to consumer demands can not persist in the long run. Poultry keeping systems which used to be considered economically backwards are now trendsetters.

- The orientation of EU agricultural policy towards international market segments increases price fluctuations for foods both on the “global markets” and in the EU’s internal market. This increasingly makes food products objects of **speculation** – including on stock exchanges – with disastrous consequences for food security in developing countries. At the same time, the **abolition of market rules** in the EU (such as quantity restrictions) **further weakens the farmers’ bargaining position** vis-à-vis the downstream processing and trade sectors. All in all this leads to a reduction in producers’ shares in the overall value-added chain and an increase in sales margins from producers to **consumers**.
- All these developments, which run counter to society’s needs, are often reputed to be in the interest of the farming community. However, **most of the farmers also get the short end of the stick**. Since the first major CAP reform in 1992, half of all holdings in the old EU of 15 have given up farming. Labour units, i.e. the number of people employed in farming converted into full-time job equivalents, decreased by 30% in the same period. Farm incomes generated from sales into the marketplace have continued to decline for most of the remaining holdings, and even taking direct payments into account, average farm incomes could, on average, only be maintained due to the fact that the declining revenue was shared between a smaller number of farmers. However, the averages hide major discrepancies: direct payments are concentrated on holdings with large areas of agricultural land. They put those farms at a disadvantage, be they small or large, that provide a relatively large number of jobs per unit area and thus make a greater contribution to rural value-added. Therefore, the EU direct payments in particular distort competition between holdings.

Given these developments and their significant impacts it is always inadequate to analyze individual issues. If one was to be content with the provision of ecological compensation areas for species and habitat protection, the issues of climate protection, water protection and animal health would still not be addressed. Conversely, an agricultural policy which is geared purely towards increased production and exploits the problem of securing the global food supply in order to meet export interests, repudiates its many adverse impacts on the climate, the environment, nature, and animal welfare as well as on multifunctional family farms.

1) For further information see: www.agassessment.org/ and in german: www.weltagrabericht.de

4. Our guiding vision: a multifunctional, environmentally sustainable family farming sector with global responsibility

Our guiding vision for European agricultural policy is a multifunctional, environmentally sustainable family farming sector, which is guided by the principle of sustainability and integrates into its activities services provided to society such as the maintenance of cultural landscapes, regional product diversity, environmentally-friendly and climate-friendly production throughout, and animal welfare. Due to the specific way they produce food and provide services, farm holdings that commit to these values address societal concerns going way beyond the sole production of cheap primary agricultural products. Exactly this is the idea behind “multifunctional agriculture”. It is also the European agricultural model to which the CAP has made at least a verbal commitment.

The International Assessment of Agricultural Science and Technology for Development (IAASTD) has confirmed this very concept as a solid, international, scientific consensus and has described its international strengthening as a prerequisite to alleviating world hunger in a successful and ecologically viable manner.¹⁾ The IAASTD is of the view that multifunctional agriculture can only be achieved if it is accompanied by fair trade and an international exchange of goods that is complementary to food sovereignty.

Multifunctional agriculture instead of least-cost production for the world market

Our guiding vision therefore is not about producing agricultural primary products at the lowest possible price. The ongoing rationalization of production leads to the loss of what can best be described as “culture” and “regional identity”. Food in particular can be very representative of

Organic, farmer-like agriculture Landwirtschaft – consistently multifunctional

For almost a century, farmers and scientists have developed organic farming as a production system which uses the resources required for agricultural production in a sustainable manner and is respectful of creation.

The basic tenets of organic farming include the promotion of soil fertility, maintenance of biodiversity and varied landscapes, and the fulfilment of the welfare requirements of livestock. Because organic farming refrains from using non-natural, chemically-synthesized substances, it does not contribute to the pollution of air, soils, and water with such substances.

Organically managed soils tend to contain more soil-life which makes them more resistant to erosion and makes it easier for precipitation to be absorbed which mitigates against the impacts of the increasing heavy rainfall events. Due to lower energy use, significantly lower production of greenhouse gases and a positive humus balance

result in a smaller carbon footprint compared to non-organic farming.

This farming method is successful in producing foods with a higher content of health-promoting substances and with none of the pesticide residues often contained in non-organic foods.

Moreover, organic farming and food production provides additional employment in rural areas, and organic farms, to a much greater extent than others, offer jobs and provide care for people who would find it increasingly hard to gain a foothold in the ‘normal’ economy.

Organic farming is thus suited to meet a whole range of objectives of the Common Agricultural Policy and it indicates the direction towards which the entire farming sector must move.

the history of and differences between countries and regions and the diversity of Europe's cultural landscapes is an expression and a result of differences in the way farmers have used the land.

Europe does in theory have the purchasing-power to secure the food, feed and, in particular, biofuels it needs from other continents. However, it can not buy and import cultural landscapes, biodiversity and the requisite agriculture, all of which can only be maintained in situ through active, environmentally sustainable family farming.

In our view, therefore, the future of European farming must be based on multifunctional family farms. The term 'family farming' as it used here ('bäuerliche Landwirtschaft', lit. = 'farmer-like agriculture') does not refer to farm size or ownership situation, but is intended to be descriptive of the farmers' work and mindset: guided by the desire to maintain the holding and skilled, varied employment, thinking in generational timescales, being embedded in villages and regions, being organized in interconnected, complementary cycles as close as possible to the farm, and having responsibility for man, nature, and animal. Organic family farms are leading in this respect (see Box).

The European Union's global responsibility towards impoverished countries and a fair world trade system must become components of the 'European agricultural model'. One billion people, a record high, are going hungry in the world. In view of this suffering, the EU must commit to contributing to the complete abolition of dumping and give developing countries a fair opportunity to combat hunger and poverty in an effective manner by promoting small-scale sustainable farming. It is the only way to ensure the development of rural areas, to create employment and to develop a solid food economy. The problem of global hunger can not be solved with agri-industrial methods.

The key to maintaining high-quality, regionally varied, and ecologically sound food production throughout, which ensures supplies in sufficient quantity, safeguards the diversity and distinctiveness of the products concerned, and fosters Europe's diverse, species-rich cultural landscapes and thus also strengthens the rural areas, is to breathe life into the guiding vision of multifunctional, environmentally sustainable family farming as the European agricultural model.

Breathing life into the guiding vision

The fact that farming as it is practiced in Europe moves ever further away from this guiding vision is largely due to EU agricultural policy having, in reality, turned its back on the European agricultural model. It follows a self-imposed policy of reform with an orientation towards the world market and is devoted to making the agri-food sector internationally competitive. The diversity that used to be considered Europe's wealth is now seen as no more than a competitive disadvantage. Those who are not sufficiently productive or competitive should give up farming.

Industrialization of livestock production

Over the past years and decades, the EU has already gradually, almost by stealth, departed from the European agricultural model; the trend towards industrialized farming is evident.

The degree to which these processes have progressed varies strongly between enterprises and regions. However, in recent years there has been a significant dynamic including veritable structural breaks.

In Lower Saxony, for example, 20% of all holdings keeping pigs ceased farming in 2008 but there was no change in the overall number of pigs reared. Following the collapse of the former GDR the giant Eastern German livestock rearing units were criticized as socialist excesses, but today similarly sized structures are being newly established: Pig units with 80,000 fattening places or abattoirs slaughtering 25,000 pigs a day.

Production patterns are emerging that signal a growing „Americanization“ of European agriculture, while many farms that could have played an important role in helping to maintain the multifunctionality of agriculture are going out of business.

Environmental and animal welfare standards are declared competitive disadvantages. The gulf between the political commitments to the European agricultural model and the daily realities on farms is widening daily.

Single area payments that are not conditional upon services provided, support for rationalized production, and tailored licensing regimes and sectoral legislation help to secure the supply of least-cost raw materials for the European agri-industry, allowing it to increase market shares in the face of international competition. Universal qualitative conditions are rejected because they interfere with this strategy. The provision of qualitative services in the areas of nature conservation, environmental protection, and animal welfare is relegated to small patches of land.

Europe-wide multifunctional family farming is thus transformed into an agricultural economy characterized by functional separation where most of the agricultural area and most of the livestock places – concentrated on a small share of total farm holdings – are devoted to the production of raw materials and are kept relatively free from any sort of co-determination by society at large.

This policy has as yet not addressed the social, ecological, cultural and economic issues in a balanced manner and with respect to all of Europe's farmland.

As a result, farmers who in the course of producing food also take on new tasks and provide services to society, i.e. become multifunctional, do not gain additional income but actually lose money because in most instances these desirable additional services do not find expression in premium prices for the agricultural products in question. More often than not multifunctionality does not improve the holdings' bottom line but is a financial disadvantage. That must change!

Society wins if we forego the final quantum of productivity

Economically, the European agricultural model of a multifunctional farming sector is characterized by a conscious decision to trade in a degree of quantitative productivity for qualitative rules for production and competition. The added value or gain is then no longer confined to the individual farm holding but benefits society as a whole. That is precisely what is sought by society at large. Europe's citizens have, on the whole, a different perception of issues such as the use of GMOs, hormones and growth promoters and of moves to tackle salmonella or keep the countryside intact, than that which prevails on the world market stage. The farmers who take these concerns to heart of course suffer a competitive disadvantage as long as the competition rules (sectoral legislation, trade rules, financial aids) counteract these societal demands.

We would like to emphasize that multifunctional, environmentally sustainable family farming can not thrive under world market conditions and at world market prices.

5. Agricultural policy for society as a whole: New objectives and a new policy

Agricultural policy is more than just the distribution of tax revenue. The signatories to this agricultural platform call for a clear and substantive reorientation of all instruments of the Common Agricultural Policy with a view to a resolute commitment of the policy to the common good.

New objectives for the new Common Agricultural Policy

The new EU Common Agricultural Policy must be based on current objectives and measures taken must coherently address the entire catalogue of objectives. This is the only way to ensure that the farming sector as a whole can be aligned with the guiding vision of multifunctional, environmentally sensitive family farming.

The associations call for the incorporation of the following objectives into the CAP:

- **Maintenance and development of biodiversity.** This requires the specification of a minimum quantity and quality of habitats of high conservation value to be maintained or developed.²⁾
- **Mitigating the climate impact of the farming and food sectors, aiming to make them carbon balanced** (including inputs such as feedstuffs). This requires the introduction of clear quantitative and temporal targets including targets for the reduction of oil-based energy inputs. An immediate ban on the ploughing up of peat soils and peaty mineral soils and a requirement to keep such soils under grassland are warranted.
- **Sustainable water resource management and reduction of excess nutrients.** The provisions of the EU Water Framework Directive must be strictly adhered to. With regard to excess nitrogen, a maximum of 60 kg excess N should become mandatory. Water usage in farming, especially for irrigation, must be reduced.
- **Cessation of any form of dumping** and elimination of dumping effects of the various agri-policy measures.
- In addition, the Common Agricultural Policy must **actively assume its global responsibility** for multifunctional agriculture and rural development, especially in impoverished countries. Maintenance and consolidation of food sovereignty.
- **Strengthen rural economic circuits and environmentally sensitive family farming.** This also includes safeguarding the remaining (insured) jobs in farming and strengthening artisan food processing and regional marketing instead of support for industrial-type structures and world market orientation.
- **Develop and support ethologically sound livestock management.** This applies to all types of livestock, especially laying hens and broilers but also pigs and cattle.

All instruments of the CAP must be committed to these new qualitative objectives.

²⁾ e.g. 25 % of total grassland to be species-rich grassland; abundance of certain species (e.g. hares). Country-specific targets to be set in agreement with nature conservation authorities. Diverse crop rotation to be established on all arable land. Diversity of agricultural crop varieties and livestock breeds to be maintained.

A whole array of agricultural policy instruments

- These include the European **market organizations, competition law, labelling laws, and international agricultural trade policy**. To date the configuration of this regulatory framework has been weakening the market position of those whose economic activities are most congruent with society's demands and has been threatening small farmers' and farm labourers' livelihoods as well as opportunities for development in impoverished countries.
- All **monetary farm supports** must be made conditional upon the provision of tangible services to society. We have to get away from the non-selective distribution of funds which disadvantages the very farmers who make particularly strong efforts for the environment and climate protection, for biodiversity and animal welfare, and for solid local economic development. Consistent cross-compliance of payments with tangible services to society is also a prerequisite to the abolition of dumping, both internally in the EU and, in particular, in developing countries.
- If support policies and other general market parameters continue to be set in such a way that they marginalize multifunctional environmentally sensitive family farms, problems will increase and in turn also the need for regulation and intervention through sectoral legislation in the areas of consumer protection, environmental protection, nature conservation, animal welfare, and occupational health and safety. However, the way **sectoral legislation** operates to date has occasionally led to bureaucracy and irritation but has hardly entailed substantial progress for the conservation asset base. Sectoral legislation therefore must be rendered more effective.
- **Fiscal and revenue legislation** are further instruments in this array. Even though these do not fall into the EU's area of responsibility, the Community should urge Member States to give taxes and levies a positive steering function with respect to strengthening multifunctional environmentally sensitive family farming.

5.1 Stable markets and fair market rules

The **increasing price fluctuations** for foods in the EU are a problem especially for producers and consumers as the weakest links in the value-added chain. They are responsible for wind-fall effects at the levels of processing and trade, at the expense of producers and consumers. Moreover, price fluctuations encourage speculation in food commodities which further drives fluctuations.

Therefore, **stable markets and the balance of power between market operators are important**. Under the EU Treaty, one of the CAP's objectives is to stabilize markets. This objective was stated as early as 1958 as part of the "Treaty of Rome" and has been incorporated unchanged into the new "Lisbon Treaty". However, in recent years market stabilization measures as part of the EU agricultural policy have been much reduced, primarily in order to become more "competitive" with third countries. This is the root of many of the difficulties, as the constant pressure to cut costs has resulted in the externalization of qualitative societal concerns in much of agricultural production. In the long run this cannot be offset by transfer payments alone, no matter how targeted they may be.

We see at least three different problem areas in the sphere of markets and prices where a political line of action is needed:

- increasing price fluctuations and volatile markets and a trend towards falling producer prices,
- ever-growing market power of the processing and marketing sectors vis-à-vis producers and consumers,
- obvious problems for and barriers to marketing local, regional and premium products.

5.1.1 Framework conditions for stable markets

It is not the governments' responsibility to align supply and demand – that is up to the market operators. However, the governments, or the EU respectively, have to make sure that the various operators in the agricultural markets can equitably negotiate this dynamic balance. The regulatory intervention required to this end yields significant macro-economic savings – money that would otherwise need to be spent on rectifying damage.

The increasing monopolization in the food market must be halted and an environment must be created that allows farmers to establish structures which **counterbalance the purchasing structures in the food industry and trade. Market transparency** and labelling that gives consumers in particular the freedom of choice are other important conditions.

The objective to **stabilize markets**, which has been set at the time the EU was established, is still of key importance in this respect. However, the currently available policy instruments are not suited to achieve this objective. Not only were they not used to safeguard livelihoods in the farming sector but they have also caused enormous damage to developing countries' economies. Public debate on these issues is urgently needed.

Freedom of choice through information

Market transparency and consumer information (such as designations of origin) need to be improved and monitored. The consumer should not be underestimated: For example, since shoppers have been able to see what kind of husbandry system their eggs come from, the share of eggs from cage system bought by householders has dropped to 18.9% (as of the end of 2009; in early 2007 the figure was 42.6%). In Austria more than 75% of all chickens were already kept in so-called "alternative systems" in 2008 ³⁾ (Germany: 39.6%). In the future, tax revenue should not be invested in the further centralization of processing and marketing structures but into strengthening regional products and markets for quality products.

5.1.2 Strengthening the position of producers and consumers in the food chain

In the EU-27, just fifteen commercial chains already control 77% of the food market. Not only the food trade but also parts of the food industry in the EU already have an **oligopolistic or monopolistic structure**. It would be naïve to expect that these companies and their trade associations would work towards improving the market opportunities for those who offer foods with special process-related qualities – the experience to date is to the contrary. So far, the

³⁾ Barn, free-range, and organic. All figures from Agrarmarktreport 2010, Agrarmarkt Informationsgesellschaft mbH

development of special quality products and their processing and marketing always had to be established against the force of those holding the largest market shares.

Similarly, at the international level, abattoirs, processors and supermarket chains ruthlessly enforce their own binding quality and safety standards, in part based on government regulations and in part based on sector-specific private labels such as EUROP GAP, GLOBAL GAP or ISO 2000. The standards are generally adapted to suit the companies' processing requirements and marketing standards which allow them to handle mass produce in a cost-efficient way. Small producers' competitiveness and even entire countries' ability to supply goods are being undermined.

Fair reconciliation of interests between all the operators in the value-added chains must be guaranteed. A binding policy framework is needed to encourage, or if need be force, those companies that fail to act responsibly and treat producers, suppliers and employees fairly. Such fair competition differs from unbridled free competition in that policy supports those operators in the marketplace who lack market force and thus do not have any significant bargaining power.

The large food retail chains and major processors demand uniform, standardized, inexpensive primary products, leaving little room for regional and product diversity. However, the production and marketing of premium products which reflect the specific traits of a particular region and the diversity of rural areas in the EU is an important contribution to maintaining the European agricultural model and as such deserves much more solid support. Shortening distribution channels and giving farmers or producer groups more direct access to consumers can help boost

The example of milk

The example of milk can elucidate the criteria for market rules.

The EU Commission and a large share of the agriculture ministers of the EU Member States aim to completely abolish the EU milk quota regime in 2015. The two main reasons put forward for this decision by the Commission are (i) the normative objective of ending governmental quantity guidance policy, and (ii) the growing world population and an increasing share of economically more well-off segments of society in more advanced developing countries which are expected to open up additional markets for the European dairy industry. The quota abolition is to increase export opportunities for the dairy industry and make it easier for (some) milk producers to increase their production.

However, the EU, in addition to Oceania, has been the world's most important export region for dairy products for decades, so to date the quota has not been a factor limiting export quantities. The politically decided quotas were always set at a level which significantly exceeded market needs. The quota does however represent a quantity restriction for milk production in individual European regions and on the individual holdings. The abolition of this restriction is expected to result in a concentration of EU milk production at the levels of both regions and holdings. This is

to further rationalize milk production, reduce the cost of production, collection, and processing and thus make milk as a "raw material" even cheaper for the dairy industry – and for export.

This is the interest the planned abolition of quantity regulation serves. It is not in the least concerned with the quality of milk products, e.g. in terms of freshness or regionality, with the quality of its production, with the maintenance of beef and milk production throughout and the linkage between production and locally available agricultural land, never mind a contribution to strengthening food production in developing countries. The decision is also not concerned with ensuring that dairy farmers can receive a fair wage for their work. With regard to the question as to how the rules governing the EU milk market should be changed and future-proofed, none of these criteria have as yet featured in the debate.

This is also obvious from the current decisions taken by the EU Commission and the Council of Agriculture Ministers which in their own words are to prepare the „soft landing“ of the dairy quota expiry: In 2008 the EU Commission and the Council of Ministers decided to progressively increase milk quotas, beginning on 1 April 2008 until 2013, by a total of 7%. Further decisions (on fat correction) have de facto brought an additional increase of more than 1% by 1 April 2009.

These decisions were taken during a period when market demand for milk and dairy products was already declining, both internationally and in the EU itself. One reason for the dropping demand is, amongst others, the food industry which began to replace milk as a raw material with cheaper substitutes without any obvious labelling to this effect (e.g. "cheese analogues"). During the course of 2007 the EU was able to suspend all the instruments of market organization (intervention, export subsidies), but in early 2009 they had to be reactivated. All the quantity restrictions for state-financed intervention purchases of butter and skimmed-milk powder which had just been agreed during the latest EU agricultural policy reforms were well exceeded. And contrary to announcements made by the EU in the context of the WTO negotiations that it was going to abolish export subsidies, the EU re-established this most aggressive form of dumping.

Despite the billions spent on state intervention, the producer price for milk in the EU dropped by 30-50% within a period of eighteen months, down to as low as 18 cent per litre which is well below production cost. The price collapse has also dragged down prices for premium products such as organic milk.

The associations draw the following conclusions:

If the EU withdraws from quantity guidance, the phase-out must be organized in such a way that it does not lead to the destruction of capital, value, and livelihoods both in the EU or in developing countries.

The orderly hand-over of responsibility for the milk market requires that the EU:

- prevents dumping of dairy products (and food in general) by not allowing these to be exported at below production costs;
- supports milk producers to join forces in the marketplace and thus to be able to reach an equilibrium between market operators (producers, industry, trade, consumers);
- creates effective conditions for milk production with a view to strengthening sustainable, land based, environmentally sound, biodiversity-enhancing and ethologically sound dairying;
- introduces unambiguous and meaningful labelling as regards ingredients, origin and quality to allow consumers to make objective choices and as a pre-requisite to allowing steering effects of the demand for premium products to take hold;
- focuses support measures on innovative and networked regional projects, such as milk for schools and other marketing programmes which are organized directly by farmers or small producer groups.

the competitiveness of smaller, more labour-intensive farms in particular. This should also be part of the remit of agricultural policy.

Designations of origin and production-related distinctions (process-related qualities) must be given much greater emphasis in the marketplace. Meaningful product labelling is an important component of market transparency and the basis for giving consumers the freedom of choice. We can therefore no longer have a situation in which, for example,

- milk packaging displays pictures of grazing cows when the milk it contains comes from permanently housed dairy cows,
- advertising uses regional indicators although the goods in question were produced elsewhere. Designations of origin must not be limited to the processing and packaging location but they must also provide information on where the primary product was actually produced.
- meat from animals which were fed genetically modified feeds is not labelled as such. This loophole in the EU labelling regulation with regard to meat, eggs and milk must be closed.

5.1.3 Move away from the orientation of EU agriculture towards world markets for low-priced mass products

The EU must end dumping, i.e. export subsidies must be abolished and direct payments need to be made conditional upon strict social and environmental criteria. The instrument of export subsidies must be removed from the market organizations. Their abolition must be unconditional and without consideration vis-à-vis the EU's trading partners. Generally – and independent of individual payments – the EU must, on its own behalf, prevent exports of surplus production at prices below production costs. This means that, in addition to qualifiers being attached to payments, the farming sector's structural orientation towards maximum surplus production must be abolished, not least because it also puts pressure on producer prices within the EU.

5.1.4 Abolish intervention purchases as an instrument for surplus and export management

The EU should withdraw from its role as direct buyer, storekeeper, and seller of goods, except where this is warranted for the purposes of disaster control and emergency aid. Due to its relatively stable harvest yields the EU does not need intervention purchases to ensure food security. State purchase and storage in the EU has evolved into a tool that undermines sensible market incentives to avoid surplus production. EU intervention has thus turned from an instrument of food security into an export strategy tool.

Rather than using intervention purchases to remove the risk of being stuck with surpluses from the processing stage, e.g. cereal traders, dairy and meat industries, measures should be taken to avoid the generation of (structural) surpluses in the first place. That does not necessarily require state instruments to regulate quantities; this responsibility could also be assigned to the agricultural producers themselves.

Public intervention purchases and support for private storage must be subject to strict limitations in terms of quantities and storage periods. Notwithstanding this, legal provisions should be available to regulate the establishment of a minimum reserve in the EU for crisis periods. Such a reserve should be well coordinated with other countries' storage policies.

5.2 Public funding only in exchange for services provided to society

The current agricultural support system in the EU is completely inconsistent: In some of the EU-15 countries single farm payments are based on past entitlements whereas in others they are moving towards a single area payment scheme. In the new EU-12 countries a single area payment scheme was directly put into place, albeit at lower payment levels than those of the EU-15.

The extent to which individual holdings benefit from the current payment system varies tremendously. Of the direct payments provided by the EU under the First Pillar, 85% are going to just 20% of holdings. In Germany, 1.6% of farms claim approximately 30% of the payments. Not only is this often considered unjust but it is a system that is increasingly difficult to convey to the taxpayer.

In Germany, the level of direct payments per hectare within the individual regions (normally the regional states) will gradually be adjusted to regionally uniform targets between 2010 and 2013. This will entail significant shifts of overall payments between individual holdings. However, it will not have much of an impact on the abovementioned concentration of the majority of payments on a small proportion of holdings because the distribution of agricultural land between holdings, which will form the basis of the then regionally uniform payments, is not that dissimilar from the way the direct payments are distributed to date. A system of payment distribution which is solely based on the holdings' land base disregards the variations in the level of services provided by the holdings as much as the current payment system.

A key task of the impending reform must be to develop a uniform system based on objective criteria and accepted by society. The taxpayers want to know what the billions they provide are used for and who gets what and why. The current system of allocating funds, which in part is still based on past payment entitlements, must end and be replaced by a system that is guided by the services provided to society by the farm holdings.

The associations call for remuneration based on performance and thus on quality

The benchmark for payments must be the services provided to society, not farm size or past production levels. Land ownership in itself does not determine service provision but it is how land, livestock and other farm enterprises are managed. Moreover, payments based solely on area pop up lease prices more than farmers' incomes.

The higher a holding's contribution to addressing societal concerns, the greater its entitlement to be remunerated for the services provided insofar as these services are not rewarded in the marketplace.

It follows that there should be a tiered approach independent of whether the current two-pillar structure of agricultural expenditure will prevail or not.

The political task will be to develop a schedule of services and associated payments from which the individual holdings can choose modules suited to their situation. Holdings or production sites that have no desire to provide such services and thus play no part in making the European agricultural model a reality but are guided solely by prices on the commodity markets while complying with the relevant legislation, should no longer receive direct payments.

The basic structure of such a schedule of services should be as follows:

5.2.1 Target-specific remuneration of services delivered through individual measures

Financial incentives are necessary to retain the provision of services to society from farm holdings. To this end, farm holdings must be offered relevant, voluntary support measures. This approach has already proved successful in rural development support policy (current Second Pillar).

There is a great range of available measures, from the various agri-environmental measures (including climate protection, support for the cultivation of legumes, contractual conservation management agreements) and specific funding measures for the protection of natural heritage (e.g. landscape management programmes) to animal welfare measures (e.g. pasturing of cattle and other ruminants). Other examples would be supports for regional processing and marketing of agricultural products produced in line with certain specific criteria.

These target-specific support measures must be extended and become the core of future support policy. The measures offered must be structured in such a way that they achieve the following objectives of nature conservation, amongst others:

- To maintain or establish a 'basic ecological infrastructure' in the form of a network covering the entire agricultural landscape, comprised of a minimum of 10% of the area of each holding. Such ecological compensation areas include strips sown in wildflowers, field margins, species-rich grassland, arable and vineyard sites.
- The conservation and enhancement of species diversity in grassland, arable and vineyard sites must be supported in such a way that it is worthwhile for the farmer to engage in the maintenance, enhancement and improvement of the sites' ecological qualities.

The following objectives are critical for climate protection and as the basis of a European protein strategy:

- One fifth of arable land is to be allocated to the production of legumes (e.g. field beans, peas, lupines, alfalfa etc.) or relevant legume mixes (including grass-clover ley). This is a key measure with a view to increasing soil humus content and thus carbon sequestration and it also improves soil water absorption and retention. Moreover it will be able to replace a significant proportion of both energy-intensive and climate-damaging nitrogen fertilizer use and soybean imports.

These and the other measures described below will require a significantly greater level of funding than has been available to date.

The voluntary nature of support programmes is an essential component of the cooperative implementation of conservation and environmental protection measures. The principle of voluntary action does however entail the need for incentives. Therefore, the calculation of payment levels must as a key component include an incentive element in addition to reimbursements for yields foregone and labour inputs. This means that farmers can achieve a financial gain from refraining from more intensive production methods. This financial incentive would not only have a positive impact on the protection of our natural resources but it would also mean that our farmers were given a signal by society that environmentally-friendly management is financially more rewarding than environmentally-damaging practices.

5.2.2 Improved support for organic farming

We consider organic farming to occupy a special position in terms of the objectives we are trying to achieve. It is a coherent system integrating a number of objectives and it is continuously developing, both at the practical and scientific levels. It also incorporates a control system which renders further expenditure on bureaucracy superfluous.

However, in terms of the efficiency of agricultural policy its main dividend is the fact that it is a certified system with regard to the marketing of its products. With their willingness to pay higher prices for organic products, consumers contribute to financing organic farming. Using the German example and assuming a price level for organic products that is on average 40% higher than that of comparable non-organic products and further assuming a market volume of approximately € 6 billion, consumers are contributing more than € 1.5 billion annually with their organic purchases to achieving the CAP objectives in Germany.

What is needed, therefore, is not just the expansion of organic production but there must also be support for market development – especially in those European countries which currently produce organic products primarily for export.

As part of the system of support measures, support for organic farming must be designed in such a way that it provides a good incentive for conversion, i.e. sufficient payment levels and a large enough upward gap between these levels and agri-environmental measures on their own or in combination.

Measures which are not mandatory for organic farmers under the EU Organic Regulation should also be eligible for funding. All other support programmes should be designed in such a way that they ease the further step of converting to organic farming.

Research, development, and extension for the further development of organic agriculture are special governmental responsibilities as they do not normally generate products the sale of which could finance these efforts.

5.2.3 Qualified support for less-favoured areas

Some societal concerns, especially with regard to nature conservation, are inextricably linked with the maintenance of agricultural activities. This is also true, and especially so, for less fertile (less-favoured) areas, in which farming is not competitive in national or European terms. The abandonment of farming activities has negative repercussions both for the farmers in question and for the cultural landscape, tourism, and nature conservation. Agricultural lands or areas which are of special importance for nature conservation (High Nature Value Farmland) are particularly affected. Yet another reason for maintaining agricultural production at such sites is food security as they are only economically marginal but yet contribute to food production.

Qualified compensation on account of the natural disadvantages imposed by such lands would appear justified. The associations call for qualification of the existing instrument. Payments could be made on a plot-by-plot basis based on prescribed criteria. There would thus be no need for the designation of eligible areas, windfall effects would be reduced, and premia for plots that are difficult to farm (e.g. mountain slopes) could be made more attractive.

5.2.4 Compensation for special regulatory requirements in defined areas

In addition to the targeted voluntary support measures there are regulatory mandatory requirements for holdings in clearly defined geographical areas resulting from designations of e.g. nature reserves, NATURA 2000 sites⁴⁾, or large-scale reserves (i.a. country parks or biosphere reserves). Area or site-specific conditions such as a ban on the ploughing up of grassland on humus-rich soil (and especially on peaty soils) for the purposes of nature conservation and climate protection also fall into this category.

These conditions require the farms to provide certain services and thus restrict management compared to holdings outside of such areas. In keeping with voluntary measures, remuneration must be provided to compensate for these restrictions.

This means that in future there must be an obligation on the authorities to provide specific support measures to compensate for area-specific legal restrictions.

5.2.5 Integrated strategies for rural development

In addition to production-related services provided by individual holdings and area-specific conditions, there are challenges and – positively worded – development opportunities which go beyond the individual holding and which should be combined into locally or regionally adapted development strategies. Mirroring the societal orientation of agricultural policy at the EU scale, a cooperative approach can be used at the local level in a more targeted way to develop quality-driven and consumer-oriented market strategies. It is useful to harness the individual support measures for an overall strategy for the region and thus to integrate and thereby amplify the impact of services provided at farm level.

Rural development support policy already caters for this approach through LEADER and other integrated measures which need to be extended and developed further. Guidelines for the provision of funding should state that large-scale reserves (especially country parks and biosphere reserves) are particularly suited to the implementation of integrated development strategies involving nature conservation and landscape protection.

There should be more room for initiative at the farm level, e.g. as part of a micro-Leader programme which brings farmers and conservation initiatives together.

5.2.6 Strict limitations for investment aid

Over the past decades the EU has provided targeted investment aid for individual holdings. The cost of new farm buildings was grant-aided to the tune of 40% by the state (EU, federal government and regional state) with young farmers receiving up to 50%. But there was no effective linkage with tangible services provided to society such as animal welfare. Investment aid has thus primarily driven rationalization and concentration of production.

This type of aid which is geared towards rationalization must be abolished. Instead, funds need to be made available to help meet the investment needs of farms required to let them achieve objectives of climate protection, animal welfare and environmental protection. In short: State aids must only be paid for stipulated qualitative purposes!

⁴⁾ Based on the EU Birds Directive and the EU Habitats Directive.

It is imperative that coherence is achieved between investment aid for agricultural holdings and environmental protection, nature conservation, and animal welfare. Investment aid should only be provided if it,

- helps achieve ethologically sound livestock management,
- ensures that livestock production is linked to locally available agricultural land,
- reduces environmental damage
- maintains jobs.

Agricultural investments should only be eligible for aid if they help achieve particularly high standards in the areas of animal welfare and environmental protection. Investment aid for livestock housing must be conditional upon achieving best practice in livestock management as outlined in the national evaluation framework for livestock management systems.⁵⁾

5.2.7 Implementing a consistent transition plan – no single area payments

Until such time as the new and coherent support system we are calling for can be established, a transition period may be needed which should end by 2018 at the latest. The undersigned associations call for the effective qualification of all remaining payments under the old EU agricultural policy system during that period. Currently the largest share by far of EU agricultural expenditure, i.e. the direct payments (under the so-called First Pillar), is provided in the form of single area payments without these being linked to effective ecological or socio-economic criteria. This must change in order to end the anomaly that the very farmers are being disadvantaged who, through their farming methods, provide a variety of services in terms of environmental protection, nature conservation, animal welfare, sustainable rural economic development and maintenance of employment opportunities.

Those who do not want to change the basic principles of the system argue that the current direct payments under the First Pillar should from now on continue to be provided based on the fact that the European farming sector has to meet higher production standards than their non-European counterparts and therefore is at a competitive disadvantage.

No single area payments

The platform associations consider single area payments to be fundamentally inappropriate. They are unsuited as protection measures from imports produced under lower standards because they do not create incentives for the improvement of standards in the countries of origin. Qualitative requirements which have to be met by both domestic and imported products (qualitative market access, e.g. based on sustainability criteria for feed imports) are more meaningful as they also have an effect at the international level. This means that the EU and the Member States must work towards generally acceptable social and environmental standards in international trade (including the WTO context).

⁵⁾ cf.: [German language:] Nationaler Bewertungsrahmen Tierhaltungsverfahren - KTBL-Schrift 446. Category 3 should not be eligible for support.

Even the operational costs of complying with general conditions differ between holdings. Farms engaged in a variety of enterprises in a richly structured landscape are, as a result, subject to a great range of conditions and have higher compliance costs than mono-structured holdings in landscapes that are relatively devoid of all natural structures. Indiscriminate single area payments would therefore perpetuate the discrimination of diversified farms and would provide significant windfall effects for specialized, rationalized holdings. It is not hard to understand that, for instance, demonstrable production drawbacks on livestock farms cannot be resolved by paying a single area payment that would also benefit non-livestock farms.

For the possible transition period the associations suggest that any payments be qualified by being made compliant on the following binding criteria:

For the possible transition period the associations suggest that any payments be qualified by being made compliant on the following binding criteria:

Environmental criteria:

- Minimum requirement for crop rotation: a single crop to take up no more than 50% of the arable land and a minimum share of 20% of legumes (including grass-clover ley or legume mix)⁶⁾;
- Ecological compensation areas to comprise a minimum of 10% of the holding area (for large plots of more than 5 ha in size there should also be a minimum share per plot); the following areas are considered ecological compensation areas: species-rich grassland and arable sites, strips sown in wildflowers, field margins and buffer strips, hedgerows, copses, and watercourses;
- Complete prohibition on the ploughing up of grassland in sensitive areas (e.g. fens, other lands with a high groundwater level, floodplains, slopes); ploughing up of grassland in other areas to be subject to permission and to be mitigated by re-seeding;
- Demonstrably balanced nitrogen (N) budget per holding;
- No cultivation of genetically modified organisms (GMOs).

Holdings which do not comply with these criteria should not be in receipt of basic premia. Possible retained funds should be used for targeted and area-specific support measures (see above).

Socio-economic criteria:

Many of the services that address societal concerns require higher labour inputs, both in animal welfare and nature conservation. It would therefore be appropriate to include the labour component in basic payments remunerating a range of services in order to compensate for labour-intensive services. We call on the EU Commission to pick up on their proposal of May 2008 (Health Check⁷⁾) for graduated payments and to include the employment factor in same, in order

⁶⁾ It must no longer be possible to circumvent this requirement by presenting humus balances or soil analyses for humus content.

⁷⁾ In November 2007 the EU Commission, in its Communication on Preparing for the „Health Check“ of the CAP reform, proposed a graduated reduction of direct payments. Direct payments per holding exceeding EUR 100,000 were to be cut by 10%, payments between EUR 100,000 and 200,000 by 25%, and payments exceeding EUR 300,000 by 45% (COM (2007) 722 final., 20.11.07, p. 6.). In its own-initiative opinion the European Parliament took up this proposal and expanded on it by proposing that this degressivity be made conditional on the farms being given the right to offset their labour costs against the modulation cuts (European Parliament: 2007/2195(INI)). All that survived to the end of the negotiations is the introduction of a 4% reduction of payments over EUR 300.000 per holding from 2009 onwards.

to ensure that holdings offering a great amount of employment opportunities (relative to their area) are not put at a disadvantage compared to fully rationalized holdings with a minimum labour force.

Retained funds should be used for targeted and area-specific support measures (see above).

5.2.8 Uniform co-financing by EU and Member States

To date, the EU requires national co-financing for targeted EU rural development support schemes (Second Pillar), in other words, the EU and the relevant Member State share the expenditure. In contrast, direct payments and expenditure for market organizations (First Pillar of the EU agricultural policy) are wholly funded by the EU. The fact that Member States have to co-finance the targeted support measures often undermines their willingness to implement these.

Mandatory national co-financing should be introduced for all agricultural expenditure in order to put an end to the discrimination against targeted performance-based measures. Moreover, the level of co-funding should be differentiated on the basis of the schemes' contribution to objectives of environmental protection, nature conservation, and animal welfare, i.e. the greater the contribution to these objectives, the lower the mandatory level of national co-financing.

5.3 Sectoral legislation as an effective and fair guideline

Sectoral legislation is another important control system at the state's disposal. Agricultural sectoral legislation including planning law makes particularly wordy reference to the areas of consumer protection, environmental protection, nature conservation, animal welfare, and the development of regional and local economic and settlement structures.

In reality however, the detailed design of sectoral legislation follows the lead of the current orientation of support and market policies. Agri-policy objectives are mirrored in all areas and find particular expression in the rationalization and industrialization of livestock management. However, the painstaking efforts to achieve a ban on the conventional battery cages for laying hens in Germany and the delisting of "cage eggs" by the trade demonstrate that sectoral legislation can be influenced by public opinion. The example of the battery cages also shows that sectoral legislation has a significant impact on competition in the farming sector: when battery cages were approved in the past, industrial-style egg production became so cheap that free-range systems were almost completely squeezed out of the market – until such time as ethologically sound chicken keeping gained appeal and was developed into a selling point.

Green genetic engineering is another example. The licensing of genetically modified crop plants and the detailed design of regulations for their cultivation and labelling, which disregard the polluter-pays principle, increase the cost of GM-free farming and food industries which are favoured by the majority of consumers. The cost of keeping GM crops out of the food chain are not levied on the genetic engineering industry but on the GM-free food industry. In this instance sectoral legislation leads to a glaring distortion of competition at the expense of environmentally sensitive family farming.

The standards set in conservation and environmental legislation are so low that they clearly distort competition at the expense of those farmers who manage their farms in harmony with environmental requirements. If we look at the Fertilizer Ordinance the need for action is particularly evident: Targets have been set and have not been met and yet there are no effective repercussions.

It does therefore not come as a surprise that while the mandatory linkage between direct payments and certain statutory management requirements introduced in 2005 (cross-compliance) has resulted in a greater burden of administration and control for both holdings and administrations, the environmental situation has not visibly improved, as has been confirmed by a special report issued by the European Court of Auditors.

The associations call for existing sectoral legislation to be made more effective with a view to an environmentally sustainable family farming sector. A further problem with the legislation is its implementation. The associations call for the more stringent implementation of sectoral legislation and monitoring thereof.

5.4 Accepting global responsibility

The EU has not distinguished itself in the WTO negotiations in terms of granting special protective rights to developing countries. These were once contained in the “Development Box”. But the EU was actively involved in reducing that Box to what remains of it today: a ‘Special Safeguard Mechanism’ which falls way short of what the EU successfully fought for on its own behalf in the Uruguay Round, i.e. the Special Safeguard Clause and the exemption from the general reduction commitments of “Special products” for reasons of food security. In both cases only remnants of protection remain.

The EU’s stance on agricultural issues in the bilateral free trade agreements was no different. Even the poorest of the developing countries are compelled to open their markets for agricultural goods and the EU practically extorts market access for European agri-business. That must stop.

The Common Agricultural Policy of the EU must adopt a global point of view which goes way beyond the immediate interests of Europe’s commercial food industry. As part of its overall approach to agricultural policy the EU must accept a global commitment to negotiations with a view to adopting guidelines and codices for sustainable management, to the protection of the natural resources soil and water, to the farming sector’s contribution to combating climate change, to safeguarding the biodiversity of crop plants and livestock breeds, to human rights standards and trade union rights, to good governance in state policy, and to the harmonious development of the world markets for agricultural commodities. Otherwise European agricultural policy will once again sink into the dark depths of provincialism and clientelism.

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