THE EUROPEAN MODEL OF AGRICULTURE

THE WAY AHEAD
THE EUROPEAN MODEL OF AGRICULTURE

THE WAY AHEAD

Summary

A. Introduction 5

B. The mandate of the European summit in December 1997 concerning agriculture. 6

C. The expectations and concerns of European society, farmers, their families and agricultural co-operatives 7

D. The European model of agriculture - the way ahead:
   10
      i) the multi-functional role
      ii) the challenges on the horizon
      iii) the multi-functional role in the light of these challenges

E. Conclusion 14

November 1999
European citizens have always recognised that agriculture is not only a sector of economic importance but that in Europe it also plays a much wider role in society as a whole.

However, there is now a growing awareness of both new pressures on agriculture and a changing emphasis in society’s expectations:

- pressure at world level, and within the EU, towards greater free trade is challenging the policies which for decades have made it possible for European farmers to produce high quality safe food for the European market using sustainable production methods and to maintain the diversity of European farming - with its vast range of production spread throughout the EU and the family-run farm at its heart;

- at the same time there is growing concern in Europe about food safety and quality and about certain technological developments. Society is also placing much greater emphasis on environmental protection, animal welfare, enhancing the countryside, preventing rural depopulation and the need for greater cohesion between richer and poorer regions.

There is considerable common ground between the expectations and concerns of farmers and their co-operatives, those of consumers and those of European citizens as a whole. These new challenges must therefore be met by developing European model of agriculture, which is multi-functional, by integrating the inter-related objectives of farmers and society in three main ways:

a) production: to provide consumers with secure and stable supplies of healthy quality food & non-food products and to develop the EU's competitive position on the internal and world market based on sustainable production methods;

b) territorial: to safeguard and enhance the countryside and to provide environmental services valued by the public at large; to underpin the infrastructure, the economy and employment in a vast number of villages throughout the European Union and to prevent depopulation and desertification in more remote and difficult areas;

c) social: to contribute to reinforcing the economic and social cohesion between groups and regions - reducing disparities between the richer and poorer regions of the EU.

Farmers and their co-operatives, with their knowledge and skills, their close link with nature and an infrastructure already in place, are ideally suited to fulfil these functions. Multi-functional agriculture, based on good farming practices, is therefore the most sustainable way to develop a competitive agricultural sector which also meets the wider expectations of society.

COPA and COGECA are pleased that, at its summit in December 1997, the Heads of State and government clearly and unequivocally reiterated the importance of the multi-functional role of agriculture and emphasised its determination to continue developing the present model of European agriculture.
However, it must be recognised that if the European Union were to continue the process of international free trade in the agricultural sector, farmers would find it extremely difficult to obtain a return from the market or via policies which so far have enabled them to provide the wide range of multi-functional services increasingly valued by European consumers and citizens. It will be therefore necessary to ensure adequate returns from the market or to develop present and new policies to finance these services so that European agriculture can continue to fulfil its multi-functional role in the service of European society.

European farmers, together with their co-operatives, wish to respond to the expectations of society to make use of our most important natural resource in order to provide vital food supplies in a sustainable way which gives added value to both rural and urban dwellers.

The Heads of State and government as well as the European Council have reaffirmed this objective.

The task ahead is to ensure that farmers and their co-operatives can continue to play this multi-functional role in the service of all Europeans through into the 21st century, when the European Union, and agriculture in particular, will face two historic challenges: enlargement of the European Union to the east and the pressures for further trade liberalisation in the framework of the WTO. COPA and COGECA wish to participate actively in this task.

*******************************
A. Introduction

1. European agriculture is characterised by its great diversity. This diversity is reflected not only in farm structure but also in the vast range of production spread throughout all regions of the European Union.

2. For decades European agriculture has achieved high levels of productivity growth and maintained a presence on the world market while keeping the family farm at its heart thereby fulfilling its traditional multi-functional role: to maintain economic activity and employment in rural areas (with agricultural employment as the lynch-pin), to enhance the countryside (including less favoured areas), to manage the environment and biodiversity, to conserve the landscape and its beauty.

3. This multi-functional role of European agriculture consists of providing safe high quality foodstuffs while providing services which meet the firm expectations expressed clearly today by European citizens as a whole - services which are available to all and which therefore do not always have a marketable value.

4. However, at the beginning of the 21st century the European Union, and agriculture in particular, will face two historic challenges: enlargement of the European Union to the east and the pressures for further trade liberalisation in the framework of the WTO. These will take place at a time when two major undercurrents are being felt: the accelerating potential and pressure for higher productivity through technological developments on the one hand and growing concern about food safety and quality, and the actual and potential side-effects of these developments on the other.

5. The task ahead is to develop the existing model of European agriculture to ensure that farmers and their co-operatives can continue to play this multi-functional role through into the 21st century, taking into account challenges and opportunities on the horizon. It is essential that the common agricultural policy for the future is based solidly on the existing situation in European agriculture - building on its own specific identity, achievements and potential.

6. As COPA and COGECA's second constructive contribution to this debate, they have set out in more detail below how the European model of agriculture should be developed in future within the framework of the summit’s conclusion and the Agricultural Council's declaration.

---

1 The existing situation in European agriculture which will form the basis for future development is set out in annex 1.
B. The mandate of the European summit in December 1997 concerning agriculture

7. In December 1997 the summit of Heads of State and government confirmed that the declaration made by the Agricultural Council should form the framework for the future development of the Common Agricultural Policy in the context of the Agenda 2000 discussions and made the following statement:

“The Union is determined to continue developing the present European model of agriculture while seeking greater internal and external competitiveness. European agriculture must, as an economic sector, be versatile, sustainable, competitive and spread throughout European territory, including regions with specific problems. The process of reform begun in 1992 should be continued, deepened, adapted and completed, extending it to Mediterranean production. The reform should lead to economically sound, viable solutions which are socially acceptable and make it possible to ensure fair income, to strike a fair balance between production sectors, producers and regions and to avoid distortion of competition. The financial resources needed to implement the common agricultural policy will be determined on the basis of the agricultural guideline.”

8. COPA and COGECA welcome this positive support for the European model of agriculture and in particular the Council’s recognition that it is essential to retain the multi-functional character of Europe's agriculture.

9. The multi-functional role of agriculture was also clearly defined in the Agricultural Council’s declaration: “it must be capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural life and must be able to respond to consumer concerns and demands regarding food quality and safety, environmental protection and the safeguarding of animal welfare.” The fact that the summit has reaffirmed this view is, COPA and COGECA believe, a reflection of a growing awareness that European farmers and their co-operatives play a central role in meeting society’s expectations and concerns.

10. Farmers and their co-operatives, with their knowledge and skills, their close link with nature and an infrastructure already in place, are ideally suited to fulfil these tasks effectively and efficiently.
C. The expectations and concerns of European society, farmers, their families and agricultural co-operatives

11. It is above all essential that agriculture in Europe meets the expectations and concerns of its own citizens: consumers of food and agricultural commodities, citizens with an interest and stake in the future of rural areas and the 14.5 million people, mainly farmers and their families who work full or part-time in agriculture, and their co-operatives.

12. There does seem to be a general consensus that the following elements reflect about the expectations and concerns of European citizens vis-à-vis agriculture, both as consumers and citizens, but COPA and COGECA are very open to discuss these in more detail in the appropriate fora.

The expectations of European consumers and citizens:

- for access to secure and stable supplies of food at reasonable prices throughout the EU;
- for guarantees that the food they purchase, produced domestically and imported, is safe;
- for guarantees that the food they purchase has been produced using methods which respect agreed legal standards of safety for the environment and animal welfare;
- for a diverse range of quality products
- for a choice of products produced according to different production methods (e.g. organic, free range ...);
- for optimum economic growth and full employment achieved through sustainable production practices;
- to encourage greater social cohesion (balance between the living conditions of different social groups) and a balance between regions and between rural and urban areas (population, incomes, employment, infrastructure etc.).
- to ensure the maintenance the countryside
- to protect flora and fauna;
- to guard against rural depopulation and desertification;
- to promote the infrastructure and economy of rural areas and employment;
- to ensure that these objectives are achieved as efficiently and effectively as possible.
The expectations of farmers & their families:

- that farmers’ incomes develop in a comparable way with incomes in other sectors;
- that European agriculture is able to develop its position on the domestic and world market and as the lynch-pin of rural regions;
- that continued improvements in structures and efficiency in the agricultural sector be supported;
- that specific measures to benefit less favoured areas be reinforced;
- that the succession of young farmers be ensured through an appropriate setting up policy;
- that economic and social cohesion be strengthened to help safeguard agriculture in all regions of the European Union. To this end, there must be a global strategy, covering all production sectors and thereby achieving balance between producers, regions and sectors. There must also be genuine financial solidarity at European Union level, as well as reinforcement of the Structural Funds as the essential element of cohesion policy;
- to ensure smooth accession of countries from central and eastern Europe through a thorough preparatory period and adequate transitional periods. Enlargement of the EU to the east will bring benefits of peace and security to the world and the EU as a whole. The financial costs of enlargement must therefore be shared fairly through the creation a separate pre-accession fund from supplementary finances;
- to affirm the European concept of the role of agriculture in society as the basis for the EU’s position in international negotiations, both multi-lateral and in other trade agreements;
- to ensure that the necessary budgetary resources are available to implement agricultural policy in a way which meets these objectives and thereby ensures the survival of private family-run farms and the European model of agriculture and encourages competitive structures and independent private farms in applicant countries.

The expectations of agricultural co-operatives:

As an important driving force behind the European model of agriculture, contributing towards sustainable and competitive farming spread throughout Europe, agricultural co-operatives should be assisted:

- to help restructure farm businesses to adjust to future market requirements (improved quality, better marketing conditions, more effective economic organisation of producers, ...);
- to enable farmers, through their co-operative associations, to be competitive both at national and European levels and to match the skills and development of the major customer businesses in the downstream section of the food chain;
• to promote the quality of agricultural and food products by improving production, processing and packaging systems in accordance with consumer requirements and interests, both as regards food safety and production techniques used;

• to develop environmentally friendly and appropriate animal welfare practices;

• to search for new markets both within and outside the EU;

• to promote non-food uses;

• to support agri-industrial research and development policy, including the introduction of new data processing techniques;

• to provide advance training of farmers and extension of the services available to them (technical assistance, market requirements, existing regulations, ...), as well as the promotion of the identity and the values of co-operation amongst potential future young members.

Programmes set up within a European framework to be managed by European agricultural co-operatives and co-financed by the EU should be developed in order to achieve these objectives.
D. The European model of agriculture - the way ahead

i) The multi-functional role of European agriculture

13. COPA and COGECA consider that there is considerable common ground between the concerns and expectations of farmers and those of European citizens, all of whom are consumers. The European model of agriculture means multi-functional agriculture. Multi-functional agriculture is the sustainable way to integrate the inter-related objectives of farmers and society in three functions:

   a) **production**: to provide consumers with secure and stable supplies of healthy quality food & non-food products and to develop its competitive position on the world market based on sustainable production methods;

   b) **territorial**: to safeguard and enhance the countryside and to provide environmental services valued by the public at large; to underpin the infrastructure, the economy and employment in a vast number of villages throughout the European Union and to prevent depopulation and desertification in more remote and difficult areas;

   c) **social**: to contribute to reinforcing the economic and social cohesion between groups and regions - reducing disparities between the richer and poorer regions of the EU.

14. Multi-functional agriculture has been and can continue to be the essential link between these overlapping objectives of society; the extent to which farmers can contribute to fulfilling these functions depending upon their individual situation and possibilities. Together European farmers offer unique resources:

   - first, the EU agricultural sector is a major world producer in a sector of economic and strategic importance making use of Europe's only major renewable natural resource - land, combined with its other agricultural advantages (climate, investment, human skills) and thereby contributing to economic growth and world food balance.

   - secondly, farmers, with their knowledge and skills, their close link with nature and an infrastructure already in place, are ideally suited to providing additional services which increase the value of the countryside to the public at large.

   - thirdly, given the means, agriculture can play a vital role in contributing towards greater cohesion within the European Union and equity between social groups and the biggest economic and social gap exists between rural and urban areas and inhabitants. As the Council itself confirmed farming remains the key sector in rural economies and keeping alive the fabric of the countryside ... is an important objective and in this context the problem of employment in rural areas is a core concern.
15. COPA and COGECA believe that, for these reasons, there is a general consensus within society that the European agriculture must continue to be multi-functional in the future. The task ahead is to see how the Common Agricultural Policy should be developed over the coming years so that this multi-functional role can be developed in the light of the challenges on the horizon.

ii) The challenges on the horizon

16. Two very important events over the coming years are enlargement of the EU to the east and the continued world pressures towards greater trade liberalisation which will again come to the fore in the WTO negotiations. In parallel, new trends are emerging in both the demand for food and production methods.

Enlargement to the east

17. With negotiations for the accession of Hungary, the Czech Republic, Poland, Estonia, and Slovenia starting in the spring of 1998, each of these countries could well become members of the EU at some point during the next decade.

18. While some of these countries, in particular Poland, have a large number of extremely small farms often no more than household plots a significant proportion of the land in Hungary, the Czech Republic and Poland is farmed by very large enterprises (by EU standards) formed from the previous collective/state farms. Given this factor, and their high ratio of agricultural land per inhabitant, they have a considerable export potential in the longer term. If this potential is achieved it will have to be exported onto the world market (apart from oilseeds in which the EU has a substantial deficit) if it is not to add to the growing EU problem of surplus which the Commission anticipates in certain sectors as a result of the 1994 GATT constraints. Since these countries have very little scope for export subsidies under the 1994 GATT agreement, if this potential is achieved it will have to be exported at world prices.

Continued world pressures towards greater trade liberalisation

19. The multi-lateral negotiations in the WTO, will undoubtedly lead to pressures from our major trading partners to further dismantle the EU's system of farm support - to reduce internal product-linked support and export refunds and to increase market access to imports in particular through further reductions in tariffs.

The Commission expects that even the constraints resulting from the 1994 GATT agreement, in particular the quantitative restrictions on exports with refunds, will lead to a rising imbalance on the EU market for major products such as cereals, beef and possibly milk from 2000. If this is correct any further cuts could therefore cause very severe constraints on production and/or stockpiling unless exports can be increased through more efficient market management and promotion or there is increased demand for agricultural commodities for non-food uses.

20. A further question which has to be tackled through multi-lateral negotiations is how to ensure that EU farmers are able to implement the legal food, environmental and animal welfare standards demanded by European citizens without being undercut by competition from countries not implementing such strict standards.

New trends in the demand for food and production methods.
21. The political and trade developments now taking place are linked to, or are in fact an expression of, a new wave of developments: new technologies, globalisation, increasing wealth in developing countries and the impetus given to free trade by the ending of the cold war. For agriculture this has meant new bio-technologies, the inclusion of agriculture in the process of trade liberalisation in the WTO and the growth and concentration of multi-national food industries.

22. Almost all forecasts indicate a strong growth in world demand for food over the next decade due both to growth in population and incomes. There is also a growing demand for agricultural commodities for non-food uses because they are environmentally friendly (bio-degradable).

23. On the other hand there is also considerable scope for increased production not only in the developing countries, where demand is increasing most, and in eastern Europe but also in the developed countries. Genetic modification for example could lead to very significant production increases and cost reductions and countries such as the USA, Argentina etc. whose agricultural policy is now geared to export, have indicated every intention of making full use of such developments.

24. Many European citizens have responded critically to some of the effects of these developments, for example, the known or potential safety risks to humans and animal and plant life in general, rural depopulation etc. which go against their deeply held values.

iii) The multi-functional role in future in the light of these challenges

25. From an economic point of view the work of the farmer in fulfilling the multi-functional role of agriculture can be divided into two elements:

- the production of commodities which can be marketed and
- the provision of services valued or even demanded by European citizens as a whole (territorial, social or in certain methods of production) but which cannot be marketed.

26. In the past (until the 1992 CAP reform) farmers were remunerated for both these elements of their work largely through the market i.e. in return for these services farmers were provided with a more stable and reasonable level of prices than available on the world market via the mechanisms of the CAP (intervention, export refunds, variable levies etc.). This has in the past made it possible for EU producers to follow very high quality and safety standards in their methods of production without being undermined by imports and to maintain the family farm at the heart of EU agriculture with all the benefits for rural areas mentioned above. Given the relatively developed fiscal and benefit system in the EU and the fact that consumers of food and European citizens are synonymous, such an approach was widely accepted.

27. In addition it is recognised that while much EU agricultural land is very productive, it is very diverse encompassing semi-arid, arctic and less favoured and mountainous areas. These areas require specific assistance (compensatory allowances) to offset their permanent natural handicaps if there is not to be depopulation and desertification
28. In this way multi-functional agriculture offers consumers and citizens a range of goods and services over and above those that can be sold in a purely competitive market. However, the more pressures towards global free trade were to materialise, the more difficult it would be for demands concerning production methods or the territorial and social functions of agriculture to be assured via the market.

29. It is, for example, becoming increasingly difficult for farmers to bear the cost of the very high legal safety and quality standards in their production methods when these are not also respected by third countries. To some extent all sectors face this problem, in particular to recoup high EU labour costs and pollution standards, but farmers also face strict legal requirements concerning animal welfare and methods of production (use of hormones, GMOs, animal units/ha, plant protection, housing etc.). If these legal requirements are not accepted and applied internationally, EU farmers cannot recoup the associated costs from the market (domestic or external) and they must therefore be paid for in some other way which reflects the higher unit cost of production resulting from the application of legal requirements of this kind.
E. Conclusion

30. Since the 1960’s agriculture has been at the heart of European construction and even today remains the only truly integrated policy at European level. The first objective of the CAP - to ensure secure food supplies for the people of Europe - has been achieved.

31. Now, at the dawn of the 21st century agriculture finds itself caught between two counterforces: on the one hand there are increasing pressures towards greater free trade and adopting a new generation of technological developments as rapidly as possible in order to increase productivity and to meet the needs of the market. On the other hand society is placing increasing emphasis on the need for food safety, environmental protection, animal welfare, enhancing the countryside and greater cohesion between rural and urban areas and social groups.

32. The multi-functional role of agriculture - production, territorial and social - is in COPA and COGECA’s view the only way to ensure an acceptable balance between these pressures. This was confirmed by the European Council at the summit meeting of December 1997. The multi-functional European model of agriculture and its farmers and co-operatives are in fact the link between the inter-related objectives of European society: to make use of our most important natural resource in order to provide vital food supplies in a sustainable way which gives added value to both urban and rural dwellers.

33. However, it must be recognised that if the European Union were to continue the process of international free trade in the agricultural sector, farmers would find it extremely difficult to obtain a return from the market or via policies which so far have enabled them to provide the wide range of multi-functional services increasingly valued by European consumers and citizens. It will be therefore necessary to ensure adequate returns from the market or to develop present and new policies to finance these services so that European agriculture can continue to fulfil its multi-functional role in the service of European society.

34. On the eve of the new international trade negotiations and EU enlargement to the east, it is the affirmation of the European model of agriculture, uniting men, products and territory, which is at stake. The proposals and actions of farmers reflect a wish to shape, together with other groups in society, the Europe of the future.