

## THE ENVIRONMENTAL DIMENSION OF COMMON AGRUCULTURAL POLICY

PhD. Student Cristian TEODOR  
Academy of Economic Studies of Bucharest, Romania  
teodor\_p\_cristian@yahoo.com

### **Abstract:**

*Agriculture continues to be the main user of rural land and an important factor of landscape and environment quality, therefore in recent years more and more attention was paid to the integration of environmental policy objectives into agricultural policy. The paper aims to investigate the current situation of agricultural policy, aiming at highlighting new trends and targets for sustainable development.*

**Key words:** agriculture, agri-environmental measures, set-aside land, forestry, CAP

**JEL classification:** Q18, Q58

### INTRODUCTION

Over time agricultural activity has developed a symbiotic relationship with environment. CAP has known a series of successive reforms, influenced by developments of European agriculture, the enlargement of the EU and the GATT multilateral trade negotiations on liberalizing world trade in agricultural products. Some measures to support agricultural policy, caused damaged of natural capital through erosion, water pollution and biodiversity loss. First agri-environment schemes were introduced in 1992, after the 2003 and 2004 CAP reforms represented a major step to sustainable development of agriculture; sustainability is supported by a number of initiatives, including cross-compliance. Follow the Gothenburg European Council was agreed that "economic performance must go in correlation with sustainable use of natural resources", principles that have been also confirmed in the Lisbon strategy. Currently, to the level of EU is discussed an new CAP reform, environmental, health and welfare standards will be respected by all farmers, whether or not receiving direct payments.

### EVOLUTION OF COMMON AGRICULTURAL POLICY

CAP has known a series of successive reforms, influenced by developments of European agriculture, the enlargement of the EU and the GATT multilateral trade negotiations on liberalizing world trade in agricultural products. During each of its meetings, in Cardiff (June 1998), Vienna (December 1998) and Helsinki (December 1999), the European Council requested the Commission to report on the integration of environmental concerns into Community sectoral policies.

Beginig with 1992 the first five traditional and well-known objectives of CAP, included in Article 33, have been legally enriched by three "horizontal" ones. The CAP has also to serve the environmental protection, the human health protection, and the strengthening of the economic and social cohesion.

Agenda 2000 reorganized orientation of instruments of development policies to strengthen agricultural and forest sector and improve competitiveness in rural areas and preserve the environment and rural heritage. Therefore, the need to create a new framework for rural development as the main starting point in restoring economic and social network in rural areas has become indispensable.

Development and implementation a policy of rural development has become with the CAP Agenda 2000 the second pillar of common agriculture policy. Together with the first pillar - market

support through joint organization of market, rural development policy has become an essential part of the European development model.

It has been passed to adoption of measures that put based of new EU agricultural policy, measures whose main purpose is to apply the Community Strategy for rural development in member countries, a greater emphasis was gave to the environmental dimension of agriculture The Agenda 2000 CAP reforms included the basic principle that Member States shall take environmental measures they consider to be appropriate in view of the situation of the agricultural land used or the production concerned. This principle has been incorporated in the horizontal regulation. Member States have had different options to implement such requirements.

Great importance had agri-environment measures, which generally have been assessed positively by the population and are also well accepted by farmers. Agri-environmental measures are intended to provide additional payments to farmers who provide environmental services and maintenance of the country-side site, on a voluntary basis (which means more than the minimum requirements in the field).

IRENA (Indicator Reporting on the integration of Environmental concerns into Agricultural policy) project which was aimed at developing a set of agri-environmental indicators, reveal the importance of agrienvironment measures in 2000 approximately 20 percent (25.2 million hectares) of the utilised agricultural area (UAA) of the EU-27 was covered by management contracts. This had risen to 24 percent (30.2 million hectares) in 2007. A wide range of uptake levels in different Member States contributes to this average.

The purpose of agri-environmental measures is to strengthen the role of farmers and encourage their actions to conserve biodiversity and rural landscape diversity. the most important specific agri-environmental measures were the following:

- Reduction of the use of fertilizers and pharmaceutical inputs;
- Introduction or continuation with organic farming methods;
- Change of production methods towards or maintenance of extensification, and,generally, introduction of farming practices compatible with the environmental requirements;
- Reduction of number of animals per forage area;
- Maintenance of the countryside and the landscape, and generally of the bio-diversity;
- Encouragement to upkeep the abandoned farmland or woodlands;
- Set aside of farmland for at least 20 years for reservation, natural parks, etc;
- Management of land for leisure activities;
- Improvement of training of the farmers concerning the use of practices compatible with the environment.

Organizations that represent farmers were agry with setting a minimum target of 10% for organic products for transport by 2020.

A simplified system was proposed to new Member States: a system known as the Single Area Payment Scheme (SAPS). Receiving direct payments to farmers under the SAPS is subject to compliance with a set of environmental standards and animal and plant health through cross-compliance system, farmers must comply with 19 measures and a set of standards aimed at protecting agricultural land, known as The good agricultural and environmental practices - GAEC. The introduction of these standards aimed, first to ensure a minimum level of maintenance of agricultural land to prevent their abandonment, a possible threat during the decoupled payments and maintenance, on the other hand of areas occupied by pastures, partly in order to slow an massive conversion toward production of arable crops and to preserve the environmental benefits associated with certain types of grassland.

Another principle set out in the Agenda 2000 CAP reform is that of 'good farming practice' (GFP).

Member States have to define codes of GFP at regional or national level. GFP should correspond to the type of farming that a reasonable farmer would follow in the region concerned, which entails compliance with existing statutory environmental requirements. GFP constitutes the baseline requirement for farmers wishing to join agri-environmental schemes. Only farming practices going beyond GFP may qualify for agri-environment payments (see Box 2). These payments mainly cover the loss of farmers' income for adopting environmentally friendly practices. Measures related to less-favoured areas (LFAs) also require the respect of the codes of GFP.

The principle of compliance with GFP is enshrined in the rural development regulation. Compliance with minimum environmental standards is a condition for eligibility for support under several measures, such as investment in agricultural holdings, setting-up of young farmers, and improving the processing and marketing of agricultural products.

The Agenda 2000 CAP reform also introduced the possibility of a shift of support from market policy to measures contributing to environmentally benign practices. Thus, part of the contribution to farmers in direct payment may be made available by Member States to increase the budget available for agri-environmental measures. This concept, known as 'modulation', is a part of the horizontal regulation.

The 2003 CAP reform includes modulation as a compulsory measure. Modulation will start in 2005 with a rate of 3 %, increasing in two steps up to 5 %. Farmers receiving direct payments up to EUR 5 000 will receive a full reimbursement of modulation amounts.

Based on the document *Towards a Sustainable Agriculture*, Commission presented a package of proposals for CAP reform, discussed by the Council of Ministers on Agriculture and Fisheries on January 2003. After difficult negotiations, in which opponents of reform were particularly net recipients of financial funds, it has reached a consensus on the package on June 2003.

One of the main elements of reform is to follow certain standards required by farmers as the environmental, food safety, animal and plant health. The inclusion of environmental, food safety, animal health and welfare increases consumer confidence and improve the environmental sustainability of agriculture. Reform ended the so-called "CAP health check" and targeted a more radical simplification of the system of direct grants, elimination or adjustment of market support measures, gradual reallocation of EU funds to rural development measures to meet new challenges (climate change, food security, protection of biodiversity, bio-energy).

EU enlargement from 15 to 27 Member States has led to increasing of the common agricultural policy challenges, the number of farmers increased to 70%. In accordance with rural development policy, in 2007-2013, the European Union allocates 88.3 billion euros for rural development projects in 27 Member States. Land administration projects that support and improve the environment must receive at least 25% of this amount. However, in practice, national and regional authorities often decide to allocate a greater percentage of the budget for environmental measures.

In February 2006 it was adopted a European strategic guidelines for rural development. Rural development policy has been strengthened to meet the challenges of rural economic, political and environmental aspects century. The new legal framework and European Agricultural Fund for Rural Development emphasize the need to stimulate growth and create jobs in these areas to enhance sustainable development in accordance with the Lisbon and Gothenburg Council. As regards environmental protection are set a series of priorities: promoting environmental services and agricultural practices that protect animals, cultivated landscapes and forests, climate change, contribution of organic farming, promoting territorial balance.

The new Rural Development Regulation for the period 2007–2013 links environmental measures to the objectives of the Sixth Community Environment Action Programme. The Community strategic guidelines identify three priority areas for measures to improve the

environment and the countryside: biodiversity and the preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes, water, and climate change. The main new measures are more explicit support to farmers in Natura 2000 and other high nature value areas. Support for areas with handicaps and for agri-environment measures is maintained. In the future, cross compliance will also apply to most of the environmental measures.

Currently, a new structure of the CAP reform is being discussed at European level. Its importance can not be underestimated, because on the results of so-called "Health Check" CAP will depend developments of multi-annual budget plan by 2013. In parallel, there is a wider debate on the reform of the entire EU budget structure.

Granting direct payments will still be dependent on compliance with cross-compliance measures. Is also discussed about the environmental and health and welfare standards that will be respected by all farmers, whether or not receiving direct payments. Cross compliance is seen as a measure that will create controversy and it is expected that some Member States to exert pressure to reduce its impact and to simplify the process which is considered currently too laborious in terms of administration. For example, is expected strong resistance to any proposal to expand the list of RMS (Statutory Management Requirements) and even a list on a good agricultural and environmental practices. DG Environment and a number of NGOs working in this area will certainly push for more inclusion of environmental provisions, such as regulations on the use of water resources. Are expected also proposals to control / regulate the manner in which Member States set standards for cross-compliance to ensure that environmental priorities are met.

Long term, other issues concerning CAP refer to climate change, promote biofuels and water management. CAP-HC proposals examines how the CAP could consider these complex areas, but after 2013. One option could be to introduce measures concerning climate change and water resource management in cross-compliance measures. Another alternative would be to supplement funds for rural development so that under this pillar to be supported such measures.

Projected situation related grain supply and demand, including demand related to the target set by the EU for biofuel, advocates to mobilize land currently set out of production by the mandatory scheme of set aside. But the permanent elimination of set aside will require measures to maintain environmental benefits achieved through this scheme. One possibility was would be to replace the wit set aside scheme by measures adapted locally, taking into account the spatial heterogeneity of agro-environmental conditions. To maintain and enhance these benefits, the support for rural development policy it should be focus on ecological management of set aside land, protection of riparian strips and measures for adaptation to climate change and renewable energy policy, such as biodiversity corridors.

## CONCLUSION

The reforms on 1992 and 1999 have brought first progress towards integrating environmental concerns into CAP. 2003 and 2004 CAP reforms represent a major step forward in improving the competitiveness and sustainability of farming in the EU and provide the framework for future reforms. Reform effects on the environment were different, intensive models of culture and farming were removed. Can be identified in this respect some positive aspects: more rational use of fertilizers and pesticides to reduce the guaranteed price, environmental benefits generated by the restriction of production areas, stimulation of a better territorial distribution of livestock. Currently, a new structure of the CAP reform is being discussed at European level, issues concerning CAP refer to climate change, promote biofuels and water management. The future of Commune future agricultural policy can not be based only on a strong link between agricultural production and changes in rural areas, both contributing to the achievement of sustainable development.

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