

## EU Enlargement and Agriculture:

### Risks and Opportunities

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2. CAP budget

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## Part I - EU Enlargement and agriculture

- Overall, farming in the CEE countries
  - employs more people
  - uses less pesticides & fertilisers
  - Producers lower yields
  - Often hosts richer wildlife
  - Lower share of organic farming
- But there are big differences between countries & regions



## Potential impacts of accession (not only CAP)

### Factors

- CAP subsidies
- EU environmental legislation
- Single Market – elimination of trade barriers
- Supermarkets and Agri-Food Business – centralised sourcing



## Potential impacts of accession

### Risks

- ⊗ Delocalisation – more transport
- ⊗ Loss of biodiversity
- ⊗ Pollution and soil degradation
- ⊗ Rural decline
- ⊗ New factory farms
- ⊗ GMOs without proper legal framework

### Opportunities

- ⊕ Limit pollution through EU legislation
- ⊕ Green rural revival through 2<sup>nd</sup> pillar subsidies: boost organic farming, tourism, renewables, young farmers, maintain grasslands

Will it be sufficient to offset the risks? Depends on each country



## Rural decline?

Farm employment: EU-15: 4% x CEE-10: 21%

### Farm structures:

CZ & SK: extremely concentrated, low farm employment

SI, PL, LT, RO: extremely fragmented, many semi-subsistence farmers

EC study 2001: "To reach only half of the average productivity of the EU-15 would already involve, with constant production, the destruction of 4 million agricultural jobs in the ten CEE countries" [mainly in PL & RO]

-> Narrow focus on old-style productivity increases would be harmful



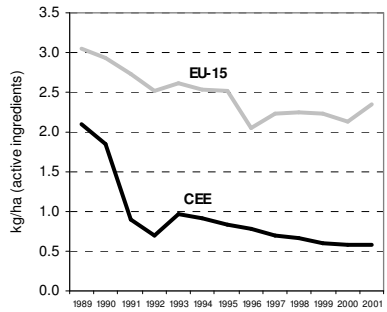
## Intensification: More pesticides and fertilisers?

### How will farmers use the additional money?

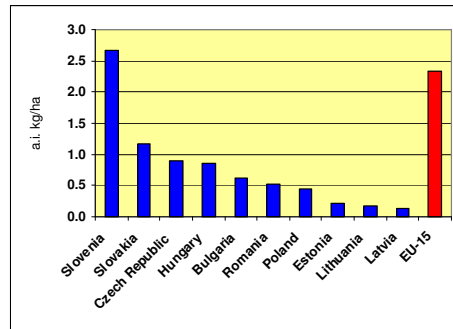
- ⊕ More pesticides and fertilisers, replacement of labour; money disbursed with weak conditions (GAEC)
- ⊕ More efficient equipment, better storage; effect of decoupled payments; effort to maintain advantage and shift directly to sustainable agriculture



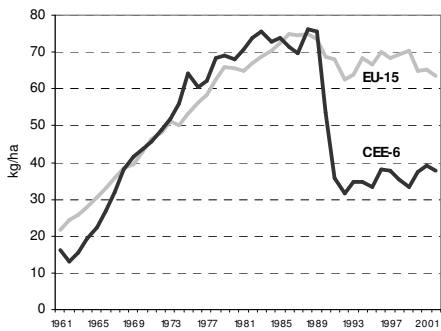
### Pesticides use, 1989-2001



### Pesticide use, 2001

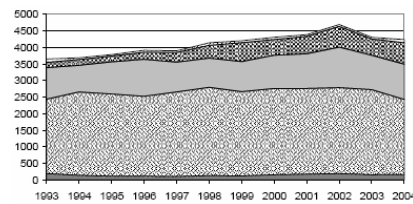


### N-fertiliser use, 1961-2002



### So far... data for 2004

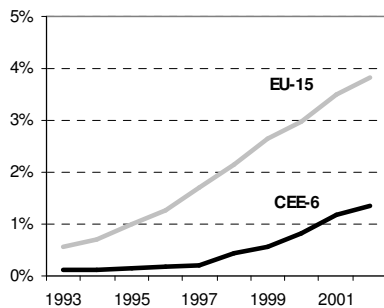
#### Use of pesticides in the Czech Republic



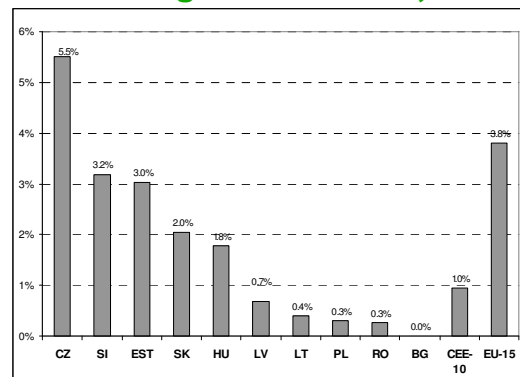
**CZ: use of pesticides down and use of fertiliser up by 25%**

**HU: sales of pesticides up by 33%, use of fertiliser up by 5%**

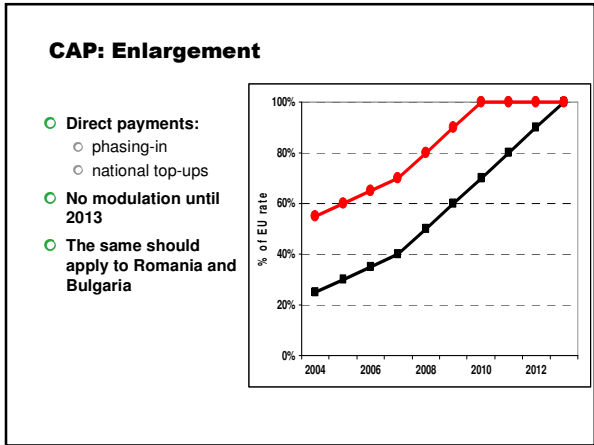
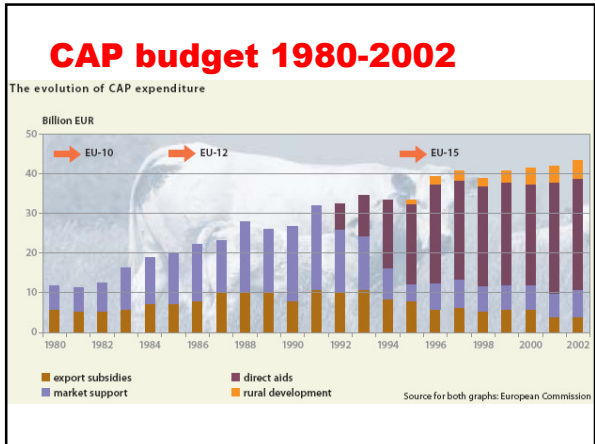
### Share of organic farmland, 1993-2002



### Share of organic farmland, 2002



# Part II - EU budget

## CAP budget 2007-2013: Commission proposal (2004)


	2006	2013	% change
<b>Total agriculture</b>	<b>53.9</b>	<b>55.5</b>	<b>+3%</b>
<b>1st pillar</b>	<b>43.4</b>	<b>42.3</b>	<b>-2%</b>
EU-15	41.3	35.5	-14%
NMS-10	2.4	5.2	+117%
<b>2nd pillar</b>	<b>10.5</b>	<b>13.2</b>	<b>+25%</b>
EU-15	7.7	7.1	-8%
NMS-10	2.8	4.4	+56%
Modulation (EU-15)	0.6	1.0	

## Current discussion: Financial perspectives 2007-2013 and the CAP budget

- Luxembourg compromise proposal June 2005: maintain 1<sup>st</sup> pillar, cut 2<sup>nd</sup> pillar by 17% (from €89 to 74 billion). **REJECTED**
- CAP reform in 2008-09 (UK) or 2013 (France)?
- Barroso's 5 points: increase shift from 1<sup>st</sup> to 2<sup>nd</sup> pillar (currently 5%) by 1% a year from 2009 on; review of budget expenditure and revenue in 2009
- This week: new UK compromise proposal? Reform probably not before 2013

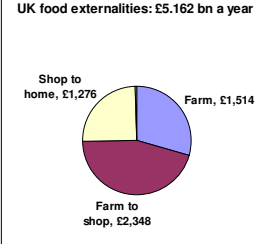
**CAP budget: over € 50 bn per year. BUT:**

- The CAP budget is only seemingly high: approx. 0.5% of EU GDP and decreasing
- The more important issue is how the money is spent. Does it bring public benefits?
- The 'hidden budget' is equally important



## The hidden budget: External costs

- New UK study by J. Pretty et al. (2005): Annual external costs of UK food production & distribution: £ 5.16 bn
  - Farm externalities: e.g. costs of removing pesticides from drinking water, loss of organic matter from soils, damage caused by erosion, bacterial outbreaks in food, etc...
  - Transport externalities: e.g. accidents, health (noise), congestion, climate change.
- UK: 1/10 of EU farmland => EU-wide externalities: comparable costs to the CAP budget, no less real; but do not receive comparable attention



### External costs of farming and pesticides

- Farm externalities £ 1.51 bn:
  - Pesticides in drinking water: £ 143m
  - Incl. other pesticide costs: > £ 200m
- Does NOT include:
  - Chronic health effects of pesticides
  - Costs of increased pest or weed resistance, insect outbreaks
  - Old pesticide waste disposal
  - Costs of water consumers switching to bottled water
  - Costs of returning to pristine conditions (only to legal limits)
  - All private on-farm costs
  - Non-measurable costs
  - Positive externalities (benefits)
- External costs of organic agriculture: 25% of conventional.  
If all UK agriculture switched to organic, £ 1.13 bn of external costs would be avoided



### CAP: the future

#### Some ideas for further changes:

- Reduce / internalise externalities through improved legislation and cross-compliance
- Shift more money from 1<sup>st</sup> to 2<sup>nd</sup> pillar
- Transparency: publish lists of recipients of CAP subsidies
- Degressivity of direct payments (the bigger the farm, the lower the payments)
- EU green taxes (e.g. on pesticides) as a way to internalise externalities and as a source of revenue for EU budget

