



**LTO NEDERLAND'S VIEW ON
EUROPEAN**

**AGRICULTURAL AND
RURAL AREAS POLICY**

AFTER 2013

The European Union has had a common agricultural policy since 1958. Its original objectives were to ensure a sufficient supply of food at acceptable prices, as well as a reasonable income for European farmers and growers in a stable market. This policy has since been amended several times, in response to developments in society and on the world market. Current agreements within the EU will remain in force until 2013, after which a new situation will arise. With this in mind, this LTO Nederland's strategy paper aims to assess the European agricultural and rural areas policy after 2013.



RELEVANT DEVELOPMENTS

The world's population is expected to continue to grow over the next decades, from six billion people at present to almost eight billion in 2025. This brings with it a growing demand for food and other agricultural products, especially since consumption per capita is also expected to increase. European citizens demand healthy and varied food in sufficient quantities, which should be produced in a sustainable way, respecting the landscape and ecological and cultural values. At the same time, European citizens worry about global climate change, resulting in a growing demand for sustainable ('green') energy in the European Union. Sustainable energy is expected to reduce Europe's dependence on fossil fuels imported from third countries and to partially solve the climate problem. Another relevant development is the growing interest in the role played by agriculture and horticulture in the management and liveability of our countryside. Finally, the international market for agricultural products is becoming increasingly liberalised, as trade barriers are gradually disappearing. This offers easier access to the European market for products from third countries, which are often produced under different, less strict regulations.

These developments are stimulating changes in agriculture and horticulture. The most obvious change is the increasing size of farms and other production units. Farms are becoming larger and more specialised, because of cost-cutting considerations and because expertise and market information are

Europe

On 25 March 1957, Western Germany, France, Italy, the Netherlands, Belgium and Luxembourg signed the Treaty of Rome, thus establishing the European Economic Community. The collaboration initially focused on coal and steel, which played an important role in the efforts to rebuild Europe after the war. Another requirement to increase prosperity and create political stability was the availability of sufficient food. This became the basis for the common agricultural policy (CAP), which to this day forms the only fully integrated policy area in the European Union. The European internal market has greatly increased the prosperity and freedom of EU citizens, and agricultural products are an essential component of this internal market.

becoming ever more specific. Not all farms are growing in size, however. Some farmers opt for diversification instead. They start to offer recreational or tourist facilities, care activities or countryside stewardship, or start to produce sustainable energy. A European policy on agriculture and rural areas remains a necessity, allowing farmers and growers to adjust to developments in markets and society.

In LTO Nederland's view, the European agricultural and rural areas policy should concentrate on four objectives:

- sufficient, safe and varied food;
- a living countryside;
- a sustainable production by the agricultural sector;
- a competitive agriculture and horticulture.

Developments in market and society

Consumers want the products they buy to meet ever higher requirements, and citizens require a high-quality environment to live in. At the same time, consumer behaviour is becoming more unpredictable, involving a wide variety of buying motives in which the decisive factor may be prices, emotion or production methods. Farmers and growers have to base their operations on these consumers' and citizens' demands and preferences..

OUTLINES FOR OF A EUROPEAN AGRICULTURAL AND RURAL AREAS POLICY

LTO Nederland is of the opinion that meeting the objectives mentioned above will require public appreciation of the role of agriculture and horticulture and will require the sector to be economically strong and competitive. European policy should strengthen the position of those farmers and sectors that tailor their strategy to new developments in markets and society. In LTO Nederland's view, an ideal future European policy for agriculture and rural areas should include the following elements:

1. INCREASING THE COMPETITIVENESS OF AGRICULTURE AND HORTICULTURE

Crucially important conditions for agriculture and horticulture include sustainable production systems, high-profile marketing concepts and corporate social responsibility. If Dutch agriculture and horticulture are to retain and strengthen their prominent



The Dutch agro-complex

Together with suppliers and processing industries, Dutch agriculture and horticulture provide 660,000 jobs, and generate an added value of 40 billion euros a year. This means that the agro-complex makes a key contribution to the Dutch economy. Of the one hundred most competitive products produced in the Netherlands, about half derive from the 'agriculture and nutrition' sector.

international position, they will need continuous innovation. This is what European policy after 2013 will need to concentrate on, both in terms of policymaking and funding. At the same time, the policy should not distort international trade.

Europe would need to play an active role in the following areas:

- Innovation and research on production, technology, markets, supply chains and systems;
- Developing and sharing knowledge in the form of research, public relations and education;
- Stimulation and transition policies to help farmers and growers adjust to society's preferences, such as sustainable energy production and climate-neutral production methods;
- Facilitation of farm takeovers;
- Structural improvements by investing in agricultural infrastructure;
- Improving the structure of primary agricultural and horticultural production, including logistic improvements in the production and marketing chains (up to and including supermarkets);
- Limiting the negative consequences of exceptional market conditions, for instance as a result of outbreaks of animal and plant diseases and extreme weather conditions, thus ensuring a healthy European market and consumer protection.

2. REWARDING LANDSCAPE MANAGEMENT

Farmers and growers are the main parties managing and shaping our countryside. Agricultural and horticultural activities largely ensure an open and accessible landscape that can be used by citizens for relaxation and recreation. At the same time, the agricultural sector is an important cornerstone of regional economy and is indispensable for a living countryside. So far, however, the market has insufficiently rewarded the sector for its achievements in this respect (attractive landscapes, a living countryside and a healthy regional economy), which are of great social importance. This is why LTO Nederland is of the opinion that a public reward, in the form of per-hectare income aid, would be necessary and fair.

3. REWARDING 'GREEN' AND 'BLUE' SERVICES

Farmers could enter into agreements with the authorities on matters like managing field margins or temporarily storing excess water (these are the so called 'green' and 'blue' services). These services should be rewarded from public funds.

4. REWARDING AGRICULTURAL ACTIVITIES WHICH MEET SOCIETY'S NEEDS IN SPECIFIC REGIONS

There are a number of regions in Europe where agriculture is in danger of disappearing altogether, as farmers and growers have to operate under unfavourable conditions, or because the sector is forced by modified policy to make major changes. If society considers the continued presence of agricultural activities in these areas desirable (for instance to preserve the existing landscape), governments will need to provide financial support for these activities. Since the importance of agriculture and horticulture differs from region to region, the public reward for these activities should be allocated accordingly.

The value of the landscape

The Netherlands is one of the most densely populated countries in the world, and its nature and landscape are largely man-made. The agricultural and horticultural sector manages two thirds of the country's land and ensures the existence of extensive open spaces and a varied landscape, thus contributing greatly to the country's unique characteristics.

STABLE BUDGETS FOR THE KEY ROLE OF AGRICULTURE AND HORTICULTURE

Farmers and growers are the custodians of large parts of the countryside, as well as ensuring agricultural production. This means that agriculture and horticulture fulfil a key role in meeting the objectives of the new European policy on agriculture and rural areas; sufficient, safe and varied food, a living countryside, sustainable production and competitive agriculture and horticulture. Meeting these objectives requires major adjustments by farmers and growers, including changes in production processes and farm structure and innovative marketing concepts. This also means that the focus of European policy should shift from product and price support to support for sustainable developments at individual farms and sectors.



Improving competitiveness

Together with other parties in the production chain, farmers and growers continually face new challenges, including aspects of human and animal welfare, prevention and control of animal and plant diseases and solving environmental and climate problems. This means they have to keep developing new structures, markets and products. Meeting the challenges posed by these changes requires a joint innovation process with the other parties in the production chain, if farmers and growers are to improve their competitiveness.

Budgets should be sufficient to stimulate farmers growers to adapt to changing circumstances. In view of the challenges facing the agricultural sector, LTO Nederland is of the opinion that the EU budget for agriculture should be maintained at least at the present level. The same goes for the Dutch share of the overall European agricultural budget. In 2007, the EU will spend over 50 billion euros on agricultural and rural areas policies, 1.3 billion of which will go to the Netherlands. These agricultural expenditures constitute less than half a percent of the European gross domestic product, which seems very reasonable in view of the ambitious objectives. After 2013, these funds will have to contribute to strengthen the market position of those farms and sectors that tailor their strategy to new developments in the markets and in society. In short, the budget should go to farmers and growers who aim for a permanent position in the market.

TRANSITION POLICY REQUIRED

Changes in European policy may have major consequences (in terms of loss of support from Brussels) for individual farms, depending on the region and sector involved. LTO Nederland is of the opinion that farmers and growers who intend to remain actively involved in agriculture and horticulture in the future should continue to be eligible for European funding. The basic principle in LTO Nederland's view is a specific development of these farms aimed at achieving a strong position in the market and in society. LTO Nederland would like to see a suitable transition policy which would allow individual farmers enough time to adjust.

PRINCIPLES

An active European policy on agriculture and rural areas requires an internal European market that functions in a healthy and transparent way. This should be based on a number of principles:

- The policy should be simple and practicable.
- The policy should focus on active farmers and growers.
- The policy must not disadvantage less developed countries. In fact, it should be combined with joint public-private programmes to improve the position of farmers and growers in the poorer countries.
- The policy should comply with the rules set at the world trade negotiations.
- LTO considers a more liberal policy for market access for products entering Europe from third countries to be acceptable only if they are produced under the same conditions of

sustainability as those in the EU (for example those on animal welfare and the environment).

An effective policy on agriculture and rural areas which has the support of the European public, requires that:

- the European authorities continually inform citizens of the objectives and consequences of its policy on agriculture and rural areas;
- the market functions in a transparent and objective way, allowing citizens to express their preferences in their buying behaviour, and that the various market parties take their responsibility in this respect.

HEALTH CHECK

In 2008, the current EU common agricultural policy will be the subject of a so-called Health Check, a mid-term review in anticipation of developments until 2013. In the opinion of LTO Nederland, this Health Check should be guided by views on the European policy after 2013. LTO Nederland is especially interested in the following aspects:

- The European agreements on the agricultural budget till 2013 need to be respected.
- The Health Check will also relate to decoupling of aid, that is, a further shift from product support to income aid. LTO Nederland would prefer a 100% decoupling towards 2013, provided this is implemented throughout the entire EU to prevent unfair competition.
- The Health Check should clarify the future of milk quotas. LTO Nederland is of the opinion that the milk quota system should not be renewed in 2015, and that the Health Check should include agreements on a gradual dismantling of production restrictions in the period up to 2015.
- Money saved by dismantling market control systems or by obligatory modulation (the EU term for the shift in budget allocation from income aid for farmers to aid for rural areas projects) should be specifically allocated to programmes aimed at improving the competitiveness of agriculture and horticulture.
- In 2010, LTO Nederland intends to present proposals, jointly developed with the agri-business community, for further specification of the transition policy.



COLOPHON

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