

# EU agricultural policy as a tool to encourage sustainable intensification

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There is no problem in principle in utilizing the EU's Common Agricultural Policy (CAP) to help steer EU rural land management onto a path of sustainable intensification. However, this slogan has not been adopted by the EU. The Treaty based objectives of the policy have always been concerned with improving the productivity of agriculture. This can be consistent with improving resource efficiency; this often goes hand in hand with increasing intensity of production as measured by inputs per hectare and outputs per hectare. Although some aspects of narrowly focused productivity improvement can be, and have been environmentally damaging, generally, higher yields mean that less land has to be diverted from forest, natural grasslands and wetlands to feed the growing population than would otherwise be the case. More recently all EU policies have been set the goal of moving to sustainable development, and progressively since the 1980s the CAP has explicitly embraced objectives and measures to improve the environmental sustainability of agriculture. Together there is a desire to ensure that agricultural output growth does not destroy natural capital, is associated with less pollution and with greater delivery of environmental and cultural landscape services. These general goals are widely accepted; however, the seriously difficult challenge is to translate them into measurable progress through practical policy measures agreed at EU level but which can be sensibly adapted to the diversity of European farming systems and natural conditions. This is especially challenging given the very low margins in agricultural production.

## Sustainable agriculture and policy-making

Sustainable intensification appears in the context of world food security and land scarcity. The rationale is that if more food has to be produced it is preferable that this be done by intensifying existing agricultural land. Bringing any new lands into cultivation will cause more biodiversity loss and climate damage. However, its definition is not straightforward. It is regarded as the simultaneous improvement of productivity and environmental management of agricultural land. While intensification is well defined, intensity is a measurable ratio of inputs and outputs per hectare of land, the meaning of the term «sustainable» is not as clear. Since sustainability has environmental, social and economic dimensions, there is no agreement on how it may be measured with precision. However, there is a general consensus that the highly-productive European systems should emphasize improving their sustainability. Agricultural production is associated with pervasive positive externalities (e.g., conser-

vation of ecosystem services) and negative externalities (e.g., pollution and contamination). Encouraging the production of positive externalities and depressing the negative ones are the principal rationale for agricultural policy.

## The sustainability dimensions targeted

Europe's CAP has quite explicitly during this century tried to embrace all three dimensions of sustainability. For example, the most recent reform of the CAP negotiated during the period 2010–2013 and now implemented for the period 2014–2020, explicitly set out to achieve viable competitive agriculture (the economic dimension), which provided sustainable management of natural resources (the environmental dimension) whilst maintaining territorial balance (this is generally taken as ensuring the continuation of farming in the remoter and marginal areas which introduces a social dimension).

All three aspects create challenges. The system of direct payments grew out of compensation for the change from commodity price supports, which had been the basis of the CAP from its formation in the 1960s until the mid-1990s. The scaling and distribution of these payments is easy to explain but very hard to justify. This was significantly complicated by the accession of the newer Member States from Central and Eastern Europe in 2004 and 2007. These payments are not well directed as income supports, nor as a risk management tool, and not as a payment for environmental services either. Despite, by international standards, very generous support for farming through an elaborate system of direct payments to individual farmers, there are still many farming households living at low material standards, and at the same time highly dependent on public payments.

There has been general agreement that the deployment of a significant part of the CAP budget to encourage farmers to improve their environmental performance is a correct approach. On the face of it substantial progress has been made in this direction with approximately 30% of CAP funds allocated for this purpose. There are many imaginative and worthwhile environmental schemes across the EU, and some signs that some indicators are moving in preferred directions. However, there are many challenges to ensure that these funds are well targeted and used. Many of the schemes – not least the three so-called «Greening Actions» introduced in the 2013 reform – are claimed to involve few farmers having to change their management at all, and therefore judged unlikely to result in observable improvement in environmental indicators. These schemes are often expensive for administrators, cumbersome

and thus unpopular with farmers, and may not be operated at sufficient scale with the necessary continuity and connectivity to make a difference to fragile, and isolated ecosystems. Perhaps unsurprisingly there is a long way to go, a lot of learning by doing, to improve the uptake and outcomes of these schemes.

Two particularly difficult areas of EU agricultural and rural policy are: (i) dealing with the several million micro farmers, subsistence and semi-subsistence farmers, and (ii) managing the remoter and marginal areas. The first of these issues is mostly found in some southern EU Member States and in the new Member States particularly Bulgaria and Romania. Most of these micro farmers are simply too small to be captured by the administration of CAP schemes. Collectively they manage a significant area of land and are sometimes associated with valued semi-natural habitats. The farmers in marginal areas generally can only survive by diversifying their economic base. Policy measures try to assist this in a number of ways. For example, it can provide training and skills enhancement, encourage imaginative marketing to embrace landscape and local traditions in higher quality food products, assist rural tourism, farm catering, accommodation and retailing, and by improving rural services such as telecoms and broadband.

The Rural Development programs to provide such assistance require investment in social capital to bring together farmers, other land managers, and civil society groups to devise actions needed for the specific challenges in each locality. In the EU this is done through the LEADER program. There are many successful programs, but the overall challenge remains. Generation renewal in these areas is often difficult as younger people move out. Much wider policy than the relatively small resources mobilized through the rural development arm of the CAP are required.

In short, collective action through agricultural and other policies is needed to help agriculture onto a path that could be called sustainable intensification. Devising and implementing such policies, especially across the whole EU, turns out to be a slow process. The different Member States and regions have their own mix of economic, environmental and social challenges, and are at different stages of economic development. The institutions of the EU struggle to reconcile the different interests engaged in all this. Food consumers generally want good quality food, which is affordable. Citizens vote for high environmental standards to be maintained. Farmers are squeezed between highly concentrated suppliers of their major inputs (e.g., fertilisers, machines, credit) and equally concentrated processors and distributors who buy their products, and therefore operate with very small margins. If higher environmental standards mean higher costs farmers are reluctant to take them on. The overall challenge is to internalize these environmental costs – but in fact none of the parties in the food chain is particularly eager to pick up these costs. International competition adds to the complexity of the task. The sheer complexity and multi-faceted nature of the task, combined with the diversity of conditions in the EU and conflicting interests of key groups, plus the nature of European

political institutions (Council, Parliament and Commission) conspire to make it very difficult to achieve transformative change in the EU. Incremental change is the result – and this may prove inadequate to meet the challenges faced.

#### **The institutions in the EU and policy decision process**

Stakeholders such as farmers, landowners, consumers, environmentalists and academics are allowed to participate in the discussions of EU institutions. They can provide their inputs to the discussion through direct lobby, use of media and public demonstrations.

The legislative procedure makes CAP reforms a bureaucratic and slow process that goes through many different organisations and requires enormous amount of discussions to reach a final modification. Likewise, the conservative nature of the agricultural work makes farmers more reluctant to change practices than any other productive sector.

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