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REGERINGSKANSLIET

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**Article based on speech on the topic "A Comprehensive Strategy for Gotherburg: the Presidency View on the Environmental Challenge" at the conference in Maastricht, 14 to 15 May, on "the Common Agricultural Policy and Environmental Challenge"**

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Ever since the concept of sustainable development was first discussed, the inherent logic has been as apparent as the need for a concrete definition. One definition of sustainability is provided by the Brundtland report from 1987 stating that; "a sustainable development is a development which meets the needs of the present, without compromising the ability of future generations to meet their own needs". In order to achieve this there is a need to strike a balance between economic, social and environmental factors, as stated in the Rio Declaration in 1992.

In the Treaty, amended by Amsterdam, the objective of integrating environmental concern into all EU policy is introduced. Together with the definitions of sustainability, this suggests a need to have a broad approach and include all sectors of society in the work.

This means that when talking about an economic, social and environmentally sustainable society, sectors cannot be treated separately. If this is done there is a risk of conserving the present structure and resisting change. It is especially important to take this holistic approach into account when discussing sustainable development within the agricultural sector.

In the current debate on the future agricultural policy within EU, there are different points of views. Many people agree that the present policy negatively affect important environmental values by encouraging more intensive agricultural production. But the opinions differ when it comes to how to make changes for the future. To protect the environment some people advocate a return to a farm structure with an increased number of farms and more people employed in agricultural production. In their views farms should become smaller, less productive and consequently less efficient. This will inevitably lead to lower farm income and lower degrees of investments. Eventually it will put us in a social and economic situation we thought we had long left behind us. With this singular approach based on environmental priorities they do, of course, forget both the social and

economic aspects of agriculture. In addition they forget to provide an answer to the question of how and who will be responsible for safeguarding farm income.

As in many cases in life it is a question of a more balanced and holistic approach. All sectors must have the possibility to develop and change. This is also true for the economy as a whole. Therefore it is necessary to look at the inter-linkage between sectors and changes within them. If sectors are isolated and economic development stopped, there is no hope to obtain a sustainable development at all.

At the same time the intensive agriculture is a reality within EU and perhaps to some extent necessary to have a viable food production. There is a number of problems with and reasons for this. The solution will not be found in developing new complex support systems aimed at turning back time and stopping structural development. It is more a question of abolishing factors contributing to the problems. In this way there is a possibility to create both a modern and environmentally friendly agriculture. An important step to achieve this goal is to integrate the concept of sustainability into the common agricultural policy.

The integration of environmental concern and sustainability into our policies is to a large extent a question of everyone involved recognising their responsibilities. This is true for farmers, consumers as well as for politicians. In every decision made, environmental, social and economic factors must be taken into account. Up to now focus in the Common Agricultural Policy has been on the economic and social factors, with the environmental factors almost forgotten. Integrating the environmental effects in deciding on agricultural policy measures will now approach this problem. It is not only, as some people seem to think, a question of putting a green label on the present agricultural policies. There is a need to do much more than that.

When deciding on next years production farmers must put as much emphasis on environmental effects as on other factors. Consumers can support this by demanding and paying for goods produced in a sustainable way. Where political intervention is needed the costs for the environment must be built into decision-making and all short and long-term impacts must be carefully explored. In short all our policies in agriculture must be “environmentally proofed”.

During the last decades increasing agricultural support and productivity have helped to stabilise farm income, at level with the rest of the economy. To keep up farm income and ensure competitiveness, productivity must be allowed to increase. Otherwise there will be a need for an even faster increase of support. Economic development is one part of a sustainable development.

The Swedish Presidency underlines the need for a re-orientation of the agricultural policy in a more environmentally friendly direction. This is

pursued within the Cardiff process. The process started with the conclusions from the European Council meeting in Cardiff 1998, inviting the Agriculture Council and Transport and Energy Council to develop strategies to integrate environment and sustainable development into the common sector policies. All sectors in society must contribute to this and agriculture plays an important part.

The Agriculture Council has within the Cardiff process decided on a strategy for a sustainable development in the common agricultural policy. The Swedish Presidency has initiated a discussion to follow-up and to deepen this strategy. The paper presented by the Presidency includes concrete plans and time schedules for how the work shall proceed.

The paper outlines conclusions stressing the need for a broad political debate and consensus on the integration of environment and sustainable development in the Common Agricultural Policy. In the conclusions, the need for continues monitoring and evaluation of the development is also stressed. The Council has invited the Commission to present a plan for this work and a first overview in 2002-2003. The Agriculture Council has approved the conclusions and the Presidency presented those to the Gothenburg European Council in June 2001.

The Cardiff-process is a first step in a direction where environment and sustainable development is integrated in the agricultural sector. The importance of this process is underlined by the latest developments within the agricultural sector.

During the last couple of years the common agricultural policy has moved from price support to direct support. This was further stressed with the rather recent Agenda 2000 proposal. Even if the Agenda 2000 proposal was diluted in Berlin, the decision was a necessary step, as we all know, to avoid a total brake down of the CAP. At the same time the policies became more transparent which opened up a debate on what farmers should produce and what taxpayers and consumers are prepared to pay for. The change can be seen as a natural step towards an increased demand for open landscape, rural amenities and improved animal welfare. Consumers are in addition demanding safe food, high quality, local production and value for money. They are also putting emphasis on the way food is produced and processed.

The re-orientation of the common agricultural policy, however, has not solved the problem of the misuse of resources. The basic system is still there. A high level of farm support and increased profitability in farming encourages the development of increased intensity in production. A clear and precise indicator of this is high land prices. According to the Swedish Board of Agriculture Sweden has seen a vast increase of land prices since Sweden became a member of the European Union. In other EU countries farmers pay between 1 and 2 euros per litre of milk just to obtain the right to produce. This may of course be attributed to a number of factors and different circumstances, but undoubtedly to a large degree due to the overall support, i.e. direct support and high internal support prices.

High land prices pose a problem to new entrants forcing them to pay a lot of money to be able to be farmers. To make these new and often very innovative farms profitable they have no choice but to farm in a very intensive way. It is on innovations and innovative people that sustainable sectors and societies base their survival. Innovation, change and development must be key words for the agricultural sector. If these well-informed, well-trained and motivated young farmers could purchase their land for a much lower price than today as a result of a new and market oriented agriculture policy, that would give them the opportunity to choose more environmentally friendly production methods. It would also give them a chance to protect the environment and at the same time supply consumers with high quality food.

It is, without any doubt, a misconception that the current support system is helping to safeguard the environment and the countryside. On the contrary it is preventing entry of young people into farming and maintains unsustainable production systems. As a matter of fact the common agriculture policy is a threat to an environmentally friendly production, which is manifested in the need to accompany the policy with environmental measures to compensate for the negative effects of the current production.

The matter can be further looked into by examining what kind of incentives is created by high internal prices and artificial security provided by the current system.

High politically decided output prices leads to an increased use of resources. If this is not regulated by society it will inevitably result in miss-use. This can be explained by the fact that farmers cannot possibly see the social costs of their production. They use too much fertilisers, pesticides, water for irrigation etc. The problem is that the current policies reinforce this unsustainable development through price support and at the same time trying to avoid miss-use of resources through environmental schemes. There must be an easier and more efficient way to attain our objectives.

The system has, furthermore, introduced an artificial risk reduction. Farmers have always planned their production to avoid risk. This was done, long before all kinds of support schemes appeared, through a production based on a variety of cereals, vegetables and fruits. On the farms, a number of different animals existed with the less fertile land used for grazing cattle. This has all been replaced by a uniform agricultural landscape. The common agricultural policy has reduced the risk of having specialised production. It is now possible to focus on a very limited number of products, because you can always trust on the support payments. Even if cereal producers should want to have a more balanced production, this could be impossible if he cannot pay for the milk quotas. As previously mentioned, young farmers are even driven to this by the high land prices.

There are of course no simple solutions for solving the problems in the current system, but there are some obvious steps to take. First of all there is

a need to determine the responsibility of society. Society and politicians have the responsibility to act when interaction between producers and consumers isn't enough or it fails for some reason. There are positive external effects of the agricultural production, that must be safeguarded, e.g. with the help of targeted support. The positive external effects may be related to food safety, environmental issues and to some extent rural development issues. There are of course also negative external effects that must be counter acted by appropriate interventions by society. Things more efficiently handled by the market should of course be left to the actors on the market. Food production should consequently be determined by consumer demand.

The next step is to decide how this can be achieved. There are some clearly defined problems with the policies we are using now. If the present system was abolished, analyses show that the farmers within EU could decrease their purchase of fertilisers, chemicals and fuel. Even if some possibly good parts of the current system are retained, this is worth thinking about.

There is empirical evidence from New Zealand where the deregulation has led to lower land prices and a more extensive and natural production systems. Even if this is not accompanied with the appropriate legal framework and targeted support the environmental benefits are there. Add to this a common agricultural policy based on targeted support measures that are minimally distorting to trade and the first real steps towards a sustainable development on a global scale could be taken.

There will of course be a re-distribution of wealth affecting some people. We recognise their concern and we must find solutions to this that are acceptable to everyone. The question of sustainable development is, however, a far bigger issue. Our first responsibility is to see to that we do not compromise the ability of future generations to meet their needs.

It is against this background the Presidency and the Agriculture Council works to pursue the integration of sustainability into the common agricultural policy. The first steps have been taken in the Agenda 2000. This will be followed up with the overview clauses in 2002-2003. The discussion on the future common agricultural policy has already started. Many countries have started to see the importance of a re-orientation of the CAP.

An integrated part of this is the follow-up of the Cardiff process, the strategy and a first qualitative assessment of the environmental impacts.