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# Ambition for farming, freedom for farmers

REPORT JULY 2005

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*There is no desire more natural  
than the desire for knowledge*

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## PREFACE

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French farming is at a crossroads.

Farmers' financial positions are weakening steadily, while agriculture now represents only around 2% of GDP and less than 4% of the labour force—proportions that are both on the decline. Margins are squeezed and international competition is stiffening even as the Common Agricultural Policy comes under fire from inside and outside the European Union. Farmers feel stifled by regulations and other constraints, destroying the need and the will to take the initiative and build for the future. All this adds up to an identity crisis that is one of the most severe in the history of French farming. Yet relationships with the land are central to crucial challenges for our century in areas that include demographics, water, nutrition and energy supplies.

At the same time, there is a current public opinion with the view that a great deal has already been done for farming and farmers, that the performance of the Common Agricultural Policy is doubtful at best, and that the decline in the competitiveness and profitability of French agriculture is inevitable, making remedies costly and ineffective, even counterproductive.

What, then, should be done? Is there still room for ambition in French and European farming? And is it possible to develop a model for economically viable farming compatible with the demands of sustainability and attuned to the expectations of society at large?

This report suggests the first answers to these questions, which are all the more pressing as authorities are now seeking to define the way ahead. The so-called “*orientation agricole*” bill, soon to be presented to the French parliament, makes progress in some areas, but does not live up to industry hopes of legislation offering new strategic prospects.

Current conditions complicate the challenge. CAP financing is in principle guaranteed through to 2013 under the October 2002 agreement between French President Jacques Chirac and German Chancellor Gerhard Schröder, but this has already been called into question in the debate on the EU budget for the years 2007 to 2013. The repercussions could be all the greater as the failed ratification of the EU constitutional treaty has unsettled the political scene in Europe. In France, it has created new strains, exacerbating expectations ahead of 2006, the first year for implementation of the CAP reform agreed in Luxembourg in 2003, which French farmers did not want in the first place.

The first section of this report goes over some of the current difficulties and discontents in French farming, while the second analyses some fundamental issues, showing that society still needs to preserve its agricultural industry. The third section underlines the inadequacy of political responses to date and the fourth offers some suggestions for action to promote a viable economic model providing farmers with the reasons and motivation to move ahead and take the initiative.

The report centres on French farming, but many of the issues involved naturally need to be considered within a broader European or global context.

The contents are the result of intense debate within the Institut Montaigne's Agriculture working group. Members, who come from a wide variety of backgrounds, initially took very different views of the problems and solutions, but we ultimately found common ground to offer a shared vision of French farming. We would like to thank them all for their contributions, which demonstrate their commitment to constructive dialogue and attention to the views of others.

*Joachim Bitterlich,  
President of the working group*

*Amélie Castéra,  
Rapporteur*



## PROPOSALS IN THIS REPORT

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### **Priority 1: Create an economically viable model for French farming**

#### **Implement effective risk control**

- Maintain public support as a safety net, ensuring that farmers can sell their production at a guaranteed minimum price as a last resort in the event of a market slump. The pace of reduction in intervention prices should be kept under control using some form of indexation, for example on technical progress, to avoid undue impact on farming incomes.
- Expand the use of futures and options for main agricultural commodities.
- Smooth out variations in farming incomes by allowing farmers to set aside provisions representing, for example, up to 50% of the proceeds of their harvest in a good year and write these provisions back in more difficult times.
- Favour the development of contractual relationships within business segments based on farming products to provide a reliable framework for commitments concerning quantities, prices (price levels, minimum prices and pricing mechanism based, for example, on an organized market) and quality, with criteria defined for related discounts and bonuses.

#### **Set up a framework for more balanced relationships between upstream (farmers) and downstream industries (large-scale retailers and agrifood industries)**

- Encourage inter-professional associations to:
  - draw up standard contracts between farmers and agrifood industries and large-scale retailers ;

- define rules for commercial practices in areas including discounts, rebates and allowances granted by producers, putting effective curbs on those that do not reflect any real advantage in terms of volumes or frequency of purchases.
- Take the action needed to ensure application of article 54 of the Economic Initiative Act dated August 1, 2003, which provides for the prevention of pricing abuses in the event of a slump in certain sectors.
- Ensure the transparency of inverse bidding.
- Reinforce monitoring and repression of anti-competitive practices in large-scale retailing, calling on the combined efforts of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (DGCCRF – the competition and consumer affairs section of the Ministry of Finance) and the *Conseil de la Concurrence* (competition council).
- In case of failure, favour alliances of farmers through cooperatives and centralized sales to consolidate bargaining positions.

### **Create conditions for more fair international competition**

The European Union needs to clarify its international strategy by:

- Vigorously promoting harmonization of social and environmental standards.
- Ensuring that efforts in favour of the least developed countries are more equally shared, for example, by asking Brazil and China to join in the EU's "Everything but Arms" initiative.
- Obtaining WTO condemnation of marketing loans and countercyclical payments to US farmers or, in case of failure, adopting a similar policy in the EU.

- Winning acceptance for the idea that developing countries do not make up a homogeneous group and should not be taken as such in agricultural negotiations, shifting the focus to preferred treatment for the poorest.

### **Overhaul the promotion and supervision of quality**

- Reduce the number of labels attesting the quality of products to one or two that are well perceived by consumers and provide varied information, as is the case for the Organic Farming label.
- Consider ways to bring the multiple public-sector organizations concerned with quality together through an agency for the promotion of French agricultural products.

### **Finance the non-commercial functions of farming**

- Pay for non-commercial functions<sup>1</sup> with a price (e.g., for each ton of carbon dioxide emission avoided) or points system based on social utility entitling farmers to subsidies.
- Provide for a simple system of lump-sum payments in support of good farming practices and bonuses for environmental excellence and special services.

### **Promote new outlets**

Provide effective tax incentives for the use of biofuels (e.g., low-interest loans and subsidies for the purchase of low-emission vehicles) and raise production targets under the government's biofuel plan.

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<sup>(1)</sup> Preservation of the environment, protection of biodiversity, upkeep of landscapes, contributions to the life of rural areas, etc.

### **Phase out direct aid**

Once these reforms are under way, plan for the withdrawal by stages of direct aid and stop making a sacred cow of subsidies that keep under-equipped, uncompetitive farms with no prospects of becoming economically viable on life support.

**Provide special indemnities to ease departures from the least competitive farms, allowing farmers a dignified exit.**

## **■ Priority 2: Offer farmers new room for manoeuvre**

### **In production**

**Renegotiate the Blair House Agreements, which place unwarranted and ineffective limits on oilseed production in the EU.**

### **In implementation of conditionality<sup>2</sup>**

- Avoid adding constraints to those already imposed by the EU by relaxing the French interpretation of conditionality after the Spanish model.
- Adopt an intelligent approach to supervision and inspection, avoiding pointless bureaucratic quibbles and redundant procedures.
- Consider scope for peer reviews to make inspections more acceptable, backing this up with random checks and criminal charges for serious breach of environmental regulations, etc.

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<sup>(2)</sup> In its new form, the CAP makes aid conditional on compliance with standards for environmental protection, food quality and animal welfare, as well as the general requirement to maintain land in good agricultural condition.



**In the supply of non-commercial services**

- Organize the supply of non-commercial services on the basis of clearly defined specifications drawn up by local and regional authorities, farmers and their representatives.
- Allow for amendment where necessary of farmers' contractual commitments to authorities.

**In farm operation**

- Ask the European Commission to draw up proposals for the simplification of applications for Pillar 2 payments by the end of 2005.
- Set up a commission of farmers and officials to review scope for administrative simplification over the near to medium term.

### **Priority 3: Create an environment reinforcing the competitiveness of French farming**

**Streamline the agricultural techno-structure to achieve more with less, reviewing the 370 administrative entities concerned and doing away with those that are no longer needed.**

**Consider the possibility of setting up a ministry with a broad range of competence in agriculture, the environment and consumer affairs or, in case of failure, reinforce cooperation between existing organizations and their staff.**

**Focus research spending on priorities**

- Pay special attention to biofuels, in particular biodiesel, as well as biotechnology and genomics.

- Eliminate legal obstacles and otherwise to GMO research that are without scientific foundation, at the same time help make information more readily available and enhance the quality of public debate.
- Set up pan-European technical platforms bringing together all concerned parties including scientists, industry bodies, political leaders, consumer groups, associations, etc.

**Favour the development of a science and technology watch in the agricultural sector to track market prices and demand more effectively, enhance modelling and forecasting capacity, and develop tools for rapid crop characterization.**

**Make public investments to reduce transport and storage costs for agricultural products with the construction of local processing facilities, port silos, etc.**

#### **■ Priority 4: Make a special commitment to communications**

**Pay closer attention to the world of agriculture, with regular interregional assemblies (e.g., every five years) bringing all stakeholders together.**

**Promote the appeal of farming professions, in particular through the launch of a multi-media centre devoted to agriculture and the organization of open days at farms.**

**Take action to improve the international image of the Common Agricultural Policy.**

**Favour the emergence of debate in agriculture** through the sharing of knowledge between the Ministry of Agriculture and universities, a multi-disciplinary approach to farming issues and the development of scientific partnerships between universities and agricultural research and teaching institutions.



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# UNPRECEDENTED FEELING OF UNEASE IN FRENCH FARMING

## **A FARMERS ON SHAKY FINANCIAL GROUND**

### **1. Profitability of farms on the decline**

Pre-tax earnings on ordinary farming operations showed a real decline of around 4% in 2004, the fifth in the six years since 1999. The only rise was in 2002.

Debt is at its highest since 1993, averaging €101,600 per farm, and servicing charges are equal to 36.3% of EBITDA.

The real financial position of farmers is probably not as bad as these figures suggest, since many have more than one activity. Nearly 80% of Europe's farming workforce have other sources of income.

### **2. Despite improvement in standards of living over the long term, farmers have not kept up with the rest of the population**

Net farm income per non-payroll agricultural worker has risen 43% over the past 30 years, although the trend has been irregular, but this compares unfavourably with a 70% rise in disposable income per capita over the same period. In 2000,

ordinary pre-tax income per non-payroll agricultural worker was around €1,620 a month, while the average gross wage in non-farm employment was close to 30% higher at €2,094.

### **3. A continuing decline in farm employment**

French farming has shed nearly three million jobs over the past 40 years, accounting for only 4% of the labour force in 2001 compared with 20% in 1962. This decline has, however, been associated with the creation of new jobs in related sectors including food processing and agricultural contracting (see below).

### **4. Farmers are now completely dependent on public aid**

Almost no French farms would be profitable without public aid. Operating subsidies now account for an average 90% of ordinary pre-tax income or €24,800 out of the annual average of €27,600 per farm. The proportion rises to over 150% in the case of producers of beef and lamb, but is only 47% in the fruit and vegetable sector.

Rather than earning a living from the business they run, farmers are now little more than administrators, or even simply beneficiaries of public assistance. This situation is obviously not satisfactory for either the farmers themselves or for taxpayers.

**Public assistance for French farms:**

$$\text{€12bn} + \text{€16bn} = \text{€28 bn}$$

French farming gets public aid worth **€12.2 billion** a year, including €9.7 billion in EU financing and €2.5 billion from the government. This amounts to €11,600 per farmer. An additional **€16 billion** goes into related spending, including in particular €12 billion for welfare in the farming sector and €1.9 billion for research and education.

Allowance also needs to be made for the wages of around 55,000<sup>3</sup> people employed in farming administration (see below).

Budgetary expenditure on regulation and direct aid to farming equals **15%** of the value of agricultural production.

Public support rose by an annual average of 5% in the years 1990 to 1996, but spending then levelled off as planned with rises averaging only 0.7% a year from 1997 to 2001.

Direct aid<sup>4</sup> now accounts for 74% of subsidies compared to only 26% in 1990, a change reflecting the CAP reforms from 1992 on. Agri-environmental outlays account for only 3.1%, although this is up from 0.1% in 1990.

<sup>(3)</sup> Figure includes teaching and research staff in the agricultural sector, but not local government officials responsible for farming issues.

<sup>(4)</sup> This includes compensatory payments for cereals and oilseeds, aid for land set-asides and beef and sheep premiums, plus miscellaneous aid for agri-environmental and sustainability measures.

## **5. Some farmers nonetheless do better than others**

Obviously, farmers do not make up a homogeneous social group. Inequalities of income and wealth have even widened. Growing concentration, with the number of farms halved in the past 20 years<sup>5</sup>, has enabled some farmers to benefit from economies of scale and significant productivity gains. The nearly 120,000 farmers growing field crops, especially cereals and oilseeds, now account for 40% of the value added generated by French farming.

## **6. CAP part of the reason for greater inequality in farming**

In 2002, the European Commission showed that 50% of direct aid went to only 7% of farmers. In France, the biggest beneficiaries of public aid are farmers with extensive field crops, where it often exceeds €20,000 per worker compared with an average of €11,600, whereas it is under €5,000 in *départements* (districts) where wine or fruit and vegetables predominate. Finally, it must not be forgotten that 15,000 farm-owners in Europe receive annual aid exceeding €100,000.

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<sup>(5)</sup> The total fell from 2 million in 1960 to 1.2 million in 1980 and 600,000 today. Annual declines were around 3%.



## B. VARIOUS CAUSES FOR THE PRECARIOUS FINANCIAL SITUATION OF FARMERS

### 1. Decline in the relative price of agricultural products

Prices for French agricultural products have declined 60% in real terms since 1960 – which means they have been divided by two and a half – and food now accounts for only 18% of household spending compared with 36% in 1960.

This is mainly explained by the scale of productivity gains achieved with machinery, fertilizers, improved crop protection, etc., over the past 40 years. Output per worker was thus multiplied by 5.75 over the period (see table below). Whereas a French farmer fed an average of 15 people in 1960, the same farmer now feeds 60 at half the price.

<b>A revolution in 40 years</b>		
	<b>1960</b>	<b>2000</b>
Total output volume	100	190
Output volume per worker	100	575
Real agricultural prices	100	40

*Source: ADEME*

## 2. Added value increasingly captured downstream from farming

The distribution of added value has shifted at the expense of farmers and to the benefit of retailers and food processors. Added value has stagnated in the farming sector since 1999, but nearly tripled from 1980 to 2004 in the agri-food industry, where it has now reached €35.6 billion. This beats €31.2 billion in farming, which had long done superior, as shown in the table below.

	1980	1985	1990	2000	2004
Farming	17.3	25.8	30.6	31.7	31.2
Agri-food industries	12.0	20.1	26.2	31.6	35.6

Big retailers have also done well. The five top chains now account for 60% of all food sales, lending them considerable bargaining clout—and enabling them to impose fees, rebates and discounts that are only rarely a fair reward for the quantities purchased from producers.

While this is true, it would be a caricature to present the situation as a standoff between farmers and big retailing. It must be remembered that most of the 360,000 professional farms (of the 600,000 officially recognized agricultural sites) deliver their products to wholesale or retail distributors and to primary and secondary processors.

### **3. Growing pressures from international competition**

International competition is stiffening as a result of trade liberalization leading to cuts in duties and export subsidies, as well as declining transport costs—at least over recent years, before oil prices flared. This, in turn, is pushing world prices down and reducing, or at least threatening, France's market shares.

Brazil has become a farming heavyweight, while Argentina, Russia and Ukraine are consolidating leading market positions. Lower wages and, more generally, lower factor costs (for land, farm machinery, tools, fertilizers, etc.) make competition from these countries particularly tough for developed countries, where farmers also have to comply with increasingly strict social and environmental standards.

Europe also faces growing competition from the US, which, unlike Europe, has successfully kept its powerful mechanisms for export support beyond the scope of WTO commitments to reduction (e.g., marketing loans—see below).

Competition will be heating up within the EU itself following enlargement, with Poland and Hungary already serious contenders (see below). However, the new members still have a long way to go in terms of restructuring and modernization of farming. The impact of enlargement will no doubt be more keenly felt in the east than in the west (see appendix 2: The impact of enlargement on farming).

## C. THE DISORIENTATION OF FARMERS

### 1. Decoupling of aid and production leads to an unprecedented identity crisis

Since 1992, the Common Agricultural Policy has been moving away from price support<sup>6</sup>, replaced with direct aid that is increasingly unrelated to the nature and volume of production. This decoupling took a step forward with the agreement reached in Luxembourg in June 2003 regarding the new CAP, making it possible to receive aid without producing anything at all<sup>7</sup>.

This change of direction in the CAP came about largely as a result of WTO negotiations<sup>8</sup>. Within the EU, it should favour correction of some distortions in production choices, but it has also led to a profound identity crisis for farmers, since no value at all appears to be attached to what they produce. Farmers reason that if aid is unconnected to production, society considers this production has no value or use, with the end result being that the profession of farming has lost its point.

More and more farmers are even convinced that decoupling is the first step in a deliberate scheme to dismantle the CAP. Decoupling, they argue, is the surest way to destroy the social legitimacy of aid, since production is the only aspect of farming that is tangible for citizen-consumers.

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<sup>(6)</sup> At the request of France, some connections between aid and production nonetheless remain possible.

<sup>(7)</sup> This can be achieved in different ways through import duties, export subsidies and guaranteed purchases at minimum prices in the event of a market downturn.

<sup>(8)</sup> Farming has been subject to WTO regulation since the Marrakech agreements of 1994 (see appendix 3. Farming and the WTO).

## 2. Increasing fragmentation

What does big farming at the service of global commodity markets have in common with traditional farms operating on a small scale to serve local markets, that target quality niches, offer holidays on the land, or combine a variety of activities?

**Yet it would be misleading to consider only this duality, since there is such a varied range of social and economic situations between the two extremes.**

In France, there is not, as there is in Brazil, a radical gap between two models but rather a continuum, with small family farms using limited equipment at one end and big farms able to compete on international commodity markets at the other.

It is thus an oversimplification to consider only extremes, but it is nonetheless true that they represent two radically different situations in terms of specialization and the processing and marketing of production. French agriculture is likely to see growing divergence between, on the one hand, intensive commodity farming competing on price and quantity and, on the other, producers basing appeal on brands, tradition and authenticity.

This economic fragmentation is matched by political fragmentation, since the growing divergence of situations and strategies does not allow farmers' representatives to deliver a readily understandable message expressing a clear set of demands. As a result, defining agricultural policy is a complex challenge that cannot be met with a uniform response. Instead, it is necessary to define varied economic models for different types of agriculture.

### **3. A growing lack of understanding between farmers and society at large**

Society's lack of understanding for farmers mainly reflects unfamiliarity with their professional environment. Relationships have clearly weakened between a group making up less than 4% of the labour force and the bulk of the population in an economy where services account for over 70% of the labour force and urban culture is dominant.

The divide is unmistakable:

- On the one hand, a significant percentage of the population at large considers that farmers benefit from special favour in French politics and take more than their fair share of spending at a time when the European budget is already under strain.
- On the other, farmers themselves stress their financial vulnerability and the hard work they do in difficult conditions. They are increasingly intolerant of the European Commission and what they consider its lack of responsiveness, and they are constantly worried that the government might abandon their cause, yielding to the siren song of economic liberalism, or making concessions on agriculture to win benefits for services and manufacturing in international negotiations.

### **4. CAP the centre of heated controversy**

According to some, the Common Agricultural Policy is the greatest success of the European Union and its only real policy, which explains its weight in the EU budget. Opponents, on the other hand, stress the undesirable environmental effects,

excessive costs, focus on production at all costs – considered a contributing cause of recent food crises – or argue that it hinders development in poor countries.

It is hard to sort out the true from the false in all this, but it is clearly time to get rid of some caricatures.

### **The Common Agricultural Policy beyond the caricatures**

- *Cost*

The CAP is the largest single item on the EU budget, accounting for 45% of spending, although this proportion is to ease to 35% in 2013. This currently represents an annual amount of €40 billion. Admittedly, too, the cost is **under-estimated**, since it is financed not only by taxpayers but also by consumers, who often pay well above the world market price. But this should be **seen in perspective**.

- France gets significant benefits. It receives the largest gross amount of any EU member, accounting for 24.2% of direct aid, and it is the second largest net beneficiary<sup>9</sup> behind Spain.
- The CAP still accounts for only 0.5% of the EU's GNP.
- The cost per capita is lower than that of support for US agriculture. On the basis of the OECD's estimated total support calculations, it was \$276 a year in the EU versus \$338 in the US in 2000.

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<sup>9)</sup> Other net beneficiaries are, in descending order, Greece, Ireland, Denmark, Finland, Portugal and Austria. Net contributors by descending order are Germany, the UK, the Netherlands, Belgium, Sweden, Luxembourg and Italy.

- Finally, the weight of the CAP in the EU budget also reflects the difficulties encountered in developing policies in other areas.

However, it must be admitted that, given the ceiling on the EU budget, the lack of downward elasticity and high agricultural outlays limit scope for other projects in key areas such as R&D and education, both of which are central to the Lisbon strategy.<sup>10</sup>

- *Environmental impact*

By favouring more intensive farming methods, the CAP has undoubtedly had an environmental cost in terms of, among other things, retrogradation in soils used for field crops, massive use of fertilizers and pesticides, dried-up wetlands and overuse of ground water in some areas. However, it should be pointed out that some of the worst pollution has been in the sectors least subject to the CAP. Moreover, recent progress in the adoption of integrated farming methods is too often ignored<sup>11</sup> and is thus little known to the general public, as is the role of farming in the sequestration of carbon dioxide.

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<sup>(10)</sup> Strategy defined at the European level to make Europe the world's most competitive and dynamic economy by 2010.

<sup>(11)</sup> Recycling of sewage sludge and biowaste for agricultural applications now represents a volume of 40 million tons a year. Over the past ten years, the quantity of fertilizer used per unit of production has declined by 2% a year for cereals and 3% a year for sugar beets. Use of pesticides has declined 2% a year overall.  
Sources: IFEN



Conversely, negative effects such as water pollution due to an excess of nitrates in Brittany are often highly publicized, to the extent that they are sometimes considered the only true picture of French farming.

It should also be stressed that some of the most systematic forms of pollution are not where they are generally expected. Amateur gardeners, for example, can do more damage than large farms because of their excessive use of pesticides, not to mention the heavy metals from exhaust fumes that contaminate soils along major highways.

Farmers should nonetheless avoid mocking the expectations of society—demands for environment-friendly agriculture are not intended to reduce them to the role of “nature’s gardeners”.

- *The CAP and developing countries*

The impact of agricultural policies in the developed world on poor countries is a highly complex and controversial issue. But the facts should be mentioned that the EU is the largest market for agricultural products of developing countries and, with its “Everything but Arms” initiative, offers less advanced countries preferred treatment unmatched anywhere else in the world.

- *The CAP and “productivism”*

Remarkable acceleration of productivity gains enabled the EU to achieve the **agricultural self-sufficiency** that

was the initial goal of the CAP despite the simultaneous increase in demand. In 1962, the EU produced only 80% of its food requirements compared with 120% today.

Yet while the EU is self-sufficient for processed foods, it still needs to import agricultural commodities, which show a trade deficit of €10.9 billion despite a positive contribution from cereals, a point that is often forgotten. In particular, there is a large shortfall for protein sources, mainly for animal feed but also for human consumption.<sup>12</sup>

Most importantly, it should stressed that quantity targets have not been achieved at the expense of the **safety and quality of products**, which have never been better or more varied. Nor have they been at the expense of a **European model** based on a balance between different types of production and on medium-size farms that are family-owned in the vast majority of cases.<sup>13</sup>

- *The CAP and food-safety crises*

The BSE epidemic had a devastating impact on the image of farming and farmers. Some made the CAP the culprit, claiming a link between industrial cattle-raising methods and the outbreak of the disease. This does not stand up to close analysis. Farmers are not to blame, since the outbreak was due to changes in animal feed

<sup>(12)</sup> See below.

<sup>(13)</sup> The EU counts 6.8 million farms, three and a half times the figure for the US; 96% are owned by an individual and only 3% by a company.

production, which allowed prion to get into the cattle food chain.

Breeders, the first victims, soon found themselves accused as the media spread apocalyptic projections of deaths to come. And instead of favouring a return to calm, authorities' handling of the crisis, with measures such as the highly publicized slaughter of herds at risk, only worsened matters, dealing a lasting blow to farmers' image.

## **5. Conflicting consumer demands leave farmers at a loss**

These conflicting demands are particularly evident in regards to quality. The renewed favour for traditional, local products that has come in reaction to growing urbanization has made quality a key variable in competition. "Bio" labels are a must for food today, as agri-food businesses and big retailers are well aware of. Yet, at the other extreme, there has been no letup in the success of deep discounters, which continue to gain market share with rock-bottom prices.

Part of the explanation for this apparent contradiction could very well be the plethora of quality labels flooding the French market. The almost endless collection of names and certificates of origin is beyond the grasp not only of foreigners but also of domestic consumers.

### **Saturation point for quality labels**

Whether they attest the environmental quality standards of producers or retailers, labels are now so numerous and varied that they cannibalize each other and are quickly losing all meaning for consumers. Customers from other countries know and buy some leading *appellations d'origine contrôlée*, but are increasingly turning away from French products to favour foreign products conveying a clearer message.

The plethora of labels also works in favour of retailer chains that have launched quality lines, a move that is nothing more or less than a brand strategy. For producers, this adds up to an endless race for attention that increases costs without bringing in any new business.

## **D. FARMERS FEEL OVERWHELMED WITH REGULATIONS AND OTHER CONSTRAINTS**

### **1. Caught in a web of complexity**

Administrative formalities take up a considerable part of farmers' working time, undermining their productivity and will to take the initiative. Applications for aid under Pillar 2 of the CAP—concerned with rural development—are particularly time-consuming. In France, excessive complexity was one reason for the failure of so-called *contrats territoriaux*

*d'exploitation*<sup>14</sup>, contracts between the government and farmers. These were intended to provide support for multi-functional farming that would contribute to the preservation of the environment, rural development, sustainable soil management, etc.

## 2. National implementation adding to CAP constraints

Under the revamped CAP, aid is conditional on compliance with a set of standards concerning the environment, food quality and animal welfare, as well as the general requirement to keep land in good agricultural condition. The principle cannot be criticized, since it is only normal that rights should entail duties. But this hardly explains why Community law goes into such detail about aspects of farming practices, such as the width of grass edges along rivers and waterways. It is even more regrettable that French texts implementing this law compound constraints, adding to the already more than adequate complexity. Spanish authorities, in contrast, have taken advantage of the available leeway to apply a more relaxed interpretation of the rules.

### **The new CAP and the conditionality of aid**

The concept of conditionality is central to the Common Agricultural Policy in its new form and farmers have to comply with a variety of requirements for entitlement to

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<sup>(14)</sup> Launched in 1999, these have since been replaced by *contrats d'agriculture durable*.

Single Farm Payments. Some are not new, including the requirement to ensure compliance over three years with 19 existing EU Directives and Regulations—those concerning the environment and animal identification (2005), those concerning food safety and animal and plant health (2006), and those concerning animal welfare (2007). But the rules are also concerned with the details of farming practice, since farmers will have to comply with requirements set by each Member State within the general framework of community law to ensure the good agricultural and environmental condition of land.

France has thus defined a set of conditions (BCAE — *bonnes conditions agricoles et environnementales*) requiring farmers:

- to set aside environmental cover on areas equal to 3% of the area planted with cereals, oilseed, linen and hemp plus fallow land, this being compulsory in the case of edging along rivers and waterways
- to have at least three different crops or two crop types on the farming area, excluding permanent pastures, set-asides and perennial crop areas
- not to burn stubble and crop residue
- to ensure sound environmental management of land not used for production
- to comply with regulations for water use in irrigation.

**Failure to abide by these requirements** exposes farmers to financial penalties through reductions in the

amount of direct aid paid or its suppression if the failure is deliberate.

The application of the principle of subsidiarity to conditionality allows closer adjustment to preferences in each country, but could also result in **distortions to competition** within the EU.

Looking ahead, conditionality is likely to include a “social” aspect, reserving aid to farmers who preserve or increase employment and serve the public interest, in particular through assistance to local government.

In a general way, while food has never been safer, more varied and more affordable, France and the EU as a whole are now witnessing a surge in new regulatory requirements that define action to be taken and resources to be committed rather than the results to be achieved. At the same time, the “principle of precaution” is too often invoked without any assessment of the related economic cost to justify decisions that do not always have an adequate technical or scientific foundation. It is thus curious that maize seed treated with Gaucho or Regent is no longer authorized for sale in France, although both products remain on sale in many other countries.<sup>15</sup>

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<sup>(15)</sup> Maize growers find this Franco-French prohibition all the more inexplicable as the alternatives are significantly less environmentally sound.

### 3. The stunning complexity of agricultural law

Aid structures are complex and unwieldy. Counting community aid, national aid and combinations of the two, there are now some 300 different types of aid being paid out (see appendix 5: Forms of farming support). These are subject to some 200 EU Regulations and Directives, as well as a similar number of national texts, which tend to be extremely wordy, as illustrated by the 110 pages of the circular on declaration of land areas and applications for arable crop area aid. This regulatory inflation naturally requires a large number of officials to draft, apply and interpret texts, then supervise implementation.

There are also multiple bodies charged with actual payment of aid, including, in France, a dozen agricultural offices, the CNASEA (*Centre National pour l'Aménagement des Structures des Exploitations Agricoles*) and local branches of government departments. The related operating costs total over €200 million. In 1993, a report from the *Inspection Générale des Finances* led the prime minister to make a single paymaster responsible for all direct CAP aid, but this decision was reversed a few weeks later as unions made their voices heard at the Ministry of Agriculture.

Implementation of the Single Farm Payments system (SFP) within the framework of the new CAP and the creation of a single payment agency under the *orientation agricole* bill should make for some simplification, but this will be limited since other forms of aid will continue to exist alongside the SFP and the single payment agency will not be as unique as its name suggests.<sup>16</sup>

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<sup>(16)</sup> The CNASEA will remain responsible for Pillar 2 (rural development) CAP payments and the ODEADOM agricultural office will continue to make aid payments in French overseas territories.



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## FRANCE'S STRATEGIC INTEREST IN PRESERVING ITS FARMING INDUSTRY

### **A. A CLEAR NEED TO PRESERVE FARMING PRODUCTION IN FRANCE AND EUROPE**

#### **1. The security of food supplies strategically vital in all countries and at all times**

*“A country that cannot feed itself cannot aspire to greatness,”* said General de Gaulle. The security of food supplies was the founding goal of the Common Agricultural Policy (see appendix 1: Aims, development and operation of the CAP) and the fact that it has been achieved to a large extent does not make it irrelevant. Given current geo-strategic imbalances, it has even become topical once again.

Member States can and must consider security of supplies within the community framework and, in time, in terms of Europe and the Mediterranean basin as a whole (see below). But the experience of the past 40 years shows that it is in the best interest of each country to diversify production to spread risks and, in practice, the CAP has thus not given rise to specialization by country. France has every interest in preserving a balanced, and sound based farming sector for the future.<sup>17</sup>

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<sup>(17)</sup> France's useful farmland represents a total area of 29.3 million hectares. Pastures account for 37% of this and cereals for 36% altogether, including 8% for wheat, 6% for maize and 3% for barley. Rapeseed accounts for 2%.

## **2. Talk of overproduction is often ill informed**

The EU's annual deficit of €10 billion on agricultural commodities rarely gets much attention.<sup>18</sup> It is highly dependent on imports in strategic sectors such as proteins, where it covers only 25% of its needs.<sup>19</sup>

In the cereals sector, prices are currently very depressed in Europe, suggesting chronic overproduction worldwide. Yet since 2000, worldwide production has in fact been lower than solvable demand, which is well short of actual needs. Solvable consumption is rising at a rate of 30 million metric tons a year and world stocks have fallen from 550 mt to 350 mt or just two months of consumption. Prospects for 2005 harvests suggest that they will again fall short of demand.

## **3. France and Europe should help meet the challenge of feeding the world**

In view of these facts and trends in global food requirements, it would be sheer folly for France and the rest of Europe to abandon a commitment to agricultural production.

The worldwide need for food already exceeds production capacity and:

- Population growth is very rapid in some regions and the world is likely to be 9 billion people by 2050.

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<sup>(18)</sup> Exports come to €55.7 billion and imports to €66.6 billion.

<sup>(19)</sup> In 2001, the EU thus imported nearly 50 million metric tons of oilseed grain and cake. Since domestic production was 22.6 million metric tons, sufficiency was only 31%. On the basis of average yields in the EU, the shortfall is over 12 million hectares.

- In developing countries, the trend is to increase meat consumption, which means a need for more farmland per capita for the same calorie intake.
- Areas of arable land are on the decline worldwide, having already fallen from 0.5 ha per capita in 1950 to 0.3 ha in 1990, and are projected to shrink to 0.2 or even 0.1 ha by 2050.
- Limited water supplies, the risk of salination on irrigated land, and the cost of energy will limit rises in production and yields in many regions.
- The impact of climate change is still underestimated.

Feeding the world is thus a real challenge for the next 20 to 40 years. The priority is to remedy shortfalls in the least developed and developing countries, but France and Europe as a whole must share the responsibility and contribute to global food security by maintaining, if not increasing, production potential. In this, they have many advantages, ranging from climate to the organization of different segments of production.

## **B. THE ESSENTIAL SOCIAL FUNCTIONS OF FARMING**

### **1. An essential contribution to regional balance**

With the support of the Common Agricultural Policy, farming preserves social life in vulnerable rural areas that might otherwise be abandoned. It provides the basis for networks of small and medium-size businesses (distributors of farm supplies, dealers in farming machinery, farming contractors, shops and food processors) offsetting the decline in farm

employment and helping to preserve viable socio-economic structures.

French farmers look after some 30 million hectares of land. If abandoned, society would have to bear heavy costs for the prevention of health hazards and supervision to contain the threat of fires, not to mention the loss of public revenues from land tax, as well as VAT and income tax associated with the cessation of production, marketing and downstream processing.

## **2. Farming and forest land are an effective curb on the greenhouse effect**

Cropland and forest areas capture and store carbon from the atmosphere, acting as carbon wells. The amount of carbon sequestered is particularly high in the case of plants with long life cycles, natural grass areas, varied crops and land improved with organic manure or reduced soil preparation. The same applies to lasting, renewable materials like wood.

## **3. Dynamic domestic farming essential to an efficient food industry**

France's agrifood industry posted sales of €136 billion in 2003, making it the country's number-one industrial sector—well ahead of automobiles, chemicals and metals, which reported sales of €106 billion, €86.7 billion and €61.8 billion, respectively. It is also the number-three industrial employer in France and places France third worldwide for exports, generating

a trade surplus of €10 billion in 2003. The industry is also an important contributor to France's international image.

Nowhere in the world is there such a thing as an offshore food industry without the support of a dynamic domestic farming. Farms are the first link in this chain of value creation and at the same time the weakest, since value is increasingly captured downstream at their expense—which means they are the first to deserve support.

## **C. OPPORTUNITIES AS WELL AS THREATS**

### **1. Markets with promise for the future at Europe's doorstep**

Rapid population growth and geographical proximity make the countries around the Mediterranean a natural and highly promising market for European farmers. The dairy industry in particular could win rich rewards from better access to a market that will count 700 million consumers by 2020 or 2025, and that hinges on the development of closer trade links and strategic partnerships with the countries concerned.<sup>20</sup>

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<sup>(20)</sup> The EU has so far proved unable to deploy a policy of genuine cooperation with countries around the Mediterranean. The Barcelona process initiated nearly ten years ago has not lived up to hopes. These failures are well illustrated by the case of Morocco, which has been more or less neglected by the EU and recently signed a free-trade agreement with the US.

## **2. Higher prices for agricultural commodities are far from unlikely**

The pace of population growth and economic development, entailing new demand for food in a context where resources such as water and land remain limited, suggests that prices for some agricultural commodities are likely to rise steeply over the medium term. In doing so, they would follow a trend similar to that currently observed for oil, steel and most other commodities. What is indispensable and rare is necessarily expensive.

## **3. New and lucrative opportunities for farmers**

While the production of food for human consumption is, and will remain, the main mission of farming, the opportunities offered by other types of production should be taken advantage of.

The biomass<sup>21</sup> is set to become an increasingly important source of energy, in particular in the form of biofuels. It will also play a growing role in the petrochemical sector and, more generally, markets for renewable commodities over the years ahead. This trend comes as a natural response to the challenges of climate change and the exhaustion of fossil fuels, with oil set to be depleted in 40 years, gas in 60, uranium in 100 and coal in 200. It can generate positive fallout not only for the environment but also for farm employment and incomes, opening up new markets and access to new customers and partners, such as oil majors and automobile manufacturers.

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<sup>(21)</sup> Total amount of living matter in the ecosystem.

Currently, France counts some 600,000 hectares of farm and forest land dedicated to non-food production, but the area is expected to top 2 million hectares by 2020 and could well represent up to 20% of agricultural land in 20 to 30 years from now.

The role of the biomass in sequestering carbon and limiting emissions will increasingly be a source of value creation. Today, a ton of carbon is worth around €20 on the embryonic market for emission permits and the World Bank estimates that this could go up to €75 by 2010. If the current inflation in oil and gas costs continues, it could reach €150 or even €200 or more by 2020. The farming sector can thus look forward to highly profitable sales of carbon-emission permits.

All forms of bioenergy, whether the use of wood and straw for heating, bio-incineration, bioelectricity, biogas or biofuels, are poised for growth. Today, they account for 4.5% of French primary energy consumption or 11 million TPE a year, but production should rise by 50% between now and 2010 and more than double by 2050. Naturally, growth will be all the stronger if oil prices remain on a steep upward slope.

Finally, biomass could partly replace petroleum derivatives such as plastics, solvents, lubricants, and tensio-active products or materials such as aluminium using large quantities of energy. Phytochemicals currently account for only around 1% of these markets, but the proportion could reach 5% or more by 2020.

### **Biomass – Advantages and limitations**

Biomass and plant products offer many advantages. They are renewable and non-toxic, as well as quickly and naturally biodegradable. They do not result in any net emission of greenhouse gases over their life cycle and they often fulfil their function better than competing petroleum and mineral products. They also limit the need to import oil, with annual production per hectare equivalent to half a metric ton of oil.

On the negative side, they are still two or three times as expensive as the alternatives except in the case of wood, and are limited to some niches since they account for only 1% of the total market, again excluding wood. Nor can biomass be expected to replace oil, gas and coal. Covering France's total energy needs representing 250 million TPE a year would require production of fuel crops on 50 million hectares, which is equal to the entire area of the country.

## **4. A promising future for biofuels**

Biofuels no doubt represent the most significant application by volume. At present, they are produced in small plants with limited capacity compared to oil refineries, using recently developed technologies and without the benefits of the economies of scale and the maturity of the oil industry. As a



result, costs are still twice those of fossil fuels.<sup>22</sup> However, they will decline and biofuels will be competitive in ten years assuming an oil price of €50 a barrel. The context is favourable, given the rise in oil prices and the targeted reduction of greenhouse gas emissions.

Biofuels offer real ecological and economic advantages. Aside from being renewable, they can be used as fuel additives with lubricant effects in the case of biodiesel and octane enhancement in the case of ethanol. By-products include protein cake and residue for animal feed and glycerine used in chemicals.

The EU has set a target of raising the contribution of biofuels to total fuel consumption to 8% in 2020, with intermediate targets of 2% for 2005 and 5.75% in 2010. Some Member States, including France, have set national targets to back up this programme.

### **France's biofuel programme**

The first stage in the government's plan, covering the years from 2005 to 2007, involves permits for the construction of six new plants, three for biodiesel and three for ethanol from farm crops, by 2007.

The second stage, from 2008 to 2010, calls for a rise in production of 700,000 metric tons of biodiesel fuel and

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<sup>(22)</sup> Currently the only exception is in Brazil, where production of ethanol from sugar cane is cost competitive if oil is above \$25 a barrel. The experience acquired is being used as a basis for the development of more efficient processes.

250,000 metric tons of ethanol to meet EU targets. This means a fourfold rise in output over four years, but it will naturally remain well short of France's needs, representing annual totals of 17.3 million metric tons of high-octane petrol and 18.2 million metric tons of diesel fuel.

Government support for biofuel now stands at around €250 million.

Looking beyond the 2010 horizon, there should be a new generation of biofuels produced by the gasification and liquification of cellulose biomass and organic waste. This could theoretically cover up to 50% of consumption without destabilizing farming and forestry or the wood and paper industry.

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## AUTHORITIES HAVE SO FAR BEEN UNABLE TO RENEW PROSPECTS FOR FARMS AND FARMING

### **A. A LACK OF INTERNATIONAL AWARENESS**

#### **1. Crucial issues neglected**

What strategies are there now to meet the challenge of feeding the world, and what concern is there for the impact of price volatility associated with agricultural deregulation on the least developed countries? Instead of joining in a constructive debate in favour of sustainable development, countries have shut themselves off, with one trading block confronting the other in unimaginably technical negotiations. The logic of offsetting one concession with another is so pervasive that no one believes in the possibility of win-win agreements from which all parties benefit any longer.

#### **2. Demands of deregulation not always fairly distributed**

While Europe's export subsidies draw fire from every direction, other forms of aid, in particular marketing loans and counter-cyclical payments to farmers in the US, have not been called into question at the WTO. The US has succeeded

in having these classified as domestic support beyond the scope of commitments to aid reduction within the framework of the Doha round. Yet they provide extremely powerful support for US exports, unsettling prices on world markets (see box below).

### **The unsettling effects of US marketing loans**

Under the marketing-loan system, US farmers can obtain loans in amounts defined crop by crop (e.g., \$101 per ton of wheat), which they must repay if they sell their harvest at a higher price, but not if they sell it at a lower price. In the event of a market slump, they can thus rely on at least this source of cash flow, immunized from price falls. They even have an interest in low prices to favour exports or feed pigs and poultry cheaply, offering a second opportunity for exports. Marketing loans thus provide powerful support for farm exports, but since the US government was clever enough to have them classified as domestic support, they have avoided demands for dismantling, in contrast with the EU's export restitution payments, classified as subsidies and subject to fierce attacks. An important difference between the two is that marketing loans tend to actually trigger price falls, whereas restitution payments only respond to those that take place, although it is true they amplify the trend.

## **3. Questionable relevance of blocks**

Within the WTO, developing countries are still too often considered as a single block, all with the same rights and obligations,

whereas in fact their strengths and competitiveness in farming vary considerably. What comparison is there today between Brazil and Mali? Brazil, a formidably effective negotiator, is well aware of the leverage it can get from taking the lead on demands for developing countries, in particular as a founder of the G20 set up just ahead of the WTO summit in Cancun to campaign for the total abolition of export subsidies.

The EU is currently seeking to adopt a more diversified approach to developing countries, as illustrated by its “Everything but Arms” initiative specifically designed for the least developed countries, which benefit from the total abolition of import duty and quotas on their exports. The WTO has also taken a step in this direction, with the same countries exempted from all obligations at the organization’s August 2004 meeting in Geneva. However, authorities also adopted special treatment for developing countries in general, given more time to implement commitments and allowed to make more limited reductions in duty and subsidies, which appears too broad.

## **B. NO SHARED EUROPEAN VISION OF FARMING’S FUTURE**

### **1. Almost exclusive focus on budgetary aspects of agricultural policy**

The Common Agricultural Policy started with the shared commitment of the six Member States to setting up a system of market regulation and mutual financial support enabling

European agriculture to modernize and ensure the reliability of food supplies. Today, there is no such shared ambition, nor any common vision of how European farming should evolve.

Worse than that, the issue is not even directly addressed as such—it has become taboo. Discussion of the CAP's future is almost exclusively centred on budgetary questions (see below), a narrow approach that is also illustrated by the debate on enlargement. The amount of aid to flow into central and eastern Europe is well known, but the same cannot be said of the impact of new members on Europe's future food requirements, its agricultural production capacity or the strategic positioning of farming sectors. What analysis was made of the impact of the entry of Poland and Hungary on the distribution of relative advantages within the Union?

Finally, the distinction between Pillar 1 (market regulation) and Pillar 2 (rural development) no doubt partly explains why the Commission and Member States have not succeeded in defining a consistent approach and provide a general framework for the regulation of farming.

## **2. CAP under threat**

The CAP is not only under fire from outside the EU. It is also the target of deep-seated and no doubt more dangerous criticism within its borders.

As explained above, the Policy has a mixed record, but criticism mainly concerns its cost, which represents an annual

charge of €40 billion on the EU budget, the largest single outlay. Net contributors, in particular Germany, the UK and the Netherlands, are becoming less willing to bear this cost at a time when other priorities such as research, education and the environment are moving centre stage. They are quick to brandish the threat of WTO action to justify policy changes they have in fact sought for much longer. The UK is likely to refuse to go on financing the CAP if its EU budget rebate is abolished and Nordic countries are also toughening stances. Even generous German taxpayers are showing signs of weariness with the admittedly heavy burden of the CAP, for which Germany contributes a net €4.3 billion each year. Finally, most new EU members, which France, Ireland and Spain saw as potential allies for the defence of the CAP, in fact hold generally “liberal” economic views, although this does not prevent them from vigorously defending their own interests in seeking aid.

Against this backdrop, France, which is the biggest beneficiary of CAP by volume, receiving 24.2% of total direct aid, and the number-two net beneficiary behind Spain<sup>23</sup>, could find its interests threatened. Its position is all the more fragile as many consider it inconsistent to defend the CAP at all costs while at the same time advocating a ceiling on Community spending equal to 1% of Members’ GNP<sup>24</sup>, a genuine European industrial policy and implementation of the Lisbon agenda. In connection with the debate on the EU’s financial framework for the years 2007

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<sup>(23)</sup> Other net beneficiaries are, in descending order, Greece, Ireland, Denmark, Finland, Portugal and Austria. Net contributors by descending order are Germany, the UK, the Netherlands, Belgium, Sweden, Luxembourg and Italy.

<sup>(24)</sup> A demand expressed in the so-called “letter of six” signed by France, Germany, the UK, the Netherlands, Sweden and Austria.

to 2013, the Commission has argued that the 1% ceiling is not compatible with either the annual packages adopted in October 2002 or the 2003 CAP reforms, and will inevitably weaken Pillar 2 of the CAP—that concerning rural development—although this is less subject to controversy.

The European Parliament's Budget Committee recently proposed a complete overhaul of agricultural spending at some future date. And the compromise worked out between President Chirac and Chancellor Schröder to sanctuarize farm spending until 2013, a deal backed by the European Council in October 2002, could fall apart more quickly than is generally believed.

The question on everyone's mind is now clearly the possibility of handing responsibility for the CAP over to national governments, either in full or only in regards to the Pillar 2 rural development section. Germany, the Netherlands and the UK, the main net contributors to the budget, are likely to be in favour, or would at least like to see more co-financing. France, in contrast, has so far indicated that this is unacceptable, while Poland has argued that it is not in a position to provide effective national support at a time when it already has to make considerable efforts for the conversion of its farming sector. Finally, the European Parliament is divided on the issue of national responsibility.<sup>25</sup>

Some members of the French farming community are not worried by such a prospect, even considering that responsibility

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<sup>(25)</sup> The Rapporteur for EU's 2004 budget expressed support for co-financing of Pillar 2, whereas the chairman of the Committee on Agriculture and Rural Development, Joseph Daul, opposed it on efficiency grounds.



at national level would mean relaxation of controls. In fact, they appear to favour greater subsidiarity in the application of the CAP rather than nationalization.<sup>26</sup> They are certainly right on that, even if Paris is currently as much to blame for constraints as Brussels, in particular concerning the implementation of conditionality (see above).

### **3. EU apparently lacking strategy for international negotiations**

At the international level, the logic of concession for concession is so pervasive that no one believes in the possibility of win-win agreements any longer. Instead, the priority is to lose as little as possible.

The EU has come out poorly in this, showing an excess of caution and on occasion suffering from divisions reflecting objectively divergent interests of Member States, with the result that it has often been on the defensive.

- It is subject to constant attacks from countries such as Brazil and Argentina in the Cairns group<sup>27</sup> and the G20 for its farming subsidies. Moreover, it has failed to achieve any progress on the harmonization of social and environmental standards, which would solve at least part of the problems of European farming.

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<sup>(26)</sup> Which also raises fundamental issues concerning the relationships between the central government and regional authorities in France.

<sup>(27)</sup> The Cairns group's 17 members are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

- It has failed to win any recognition for its efforts in favour of least developed countries, either within the framework of the Lomé agreements or in connection with its “Everything but Arms” initiative. As a result, NGOs remain united in their opposition to the CAP and few ever think of asking Brazil or other members of the Cairns group to follow suit and do something more for the least developed countries.
- Misguided and over-cautious in relationships with the US, it has on several occasions given the Americans lasting commitments that are contrary to its interests. This was in particular the case of the Blair House agreement on oilseeds, a sector where it runs a big deficit, calling for a shift in the balance of production away from cereals. Instead of that, the EU let itself get trapped in an agreement prohibiting any significant rise in oilseed production, increasing its dependence on imports and making EU cereal growers the focus of international criticism of export restitution payments. Nor has it had the will and the lucidity to demand the abolition of America's own marketing loans.
- Finally, farmers criticize EU negotiators for being too soft, systematically offering major concessions on farming to obtain only limited advantages for European industry and services, as illustrated in current talks with the Mercosur. They feel that they have been relegated to the position of an adjustment variable in international negotiations.

## **C. WITHIN FRANCE, AWARENESS OF THE NEED TO OFFER FARMERS NEW PROSPECTS FOR THE FUTURE STILL HAS LITTLE PRACTICAL IMPACT**

### **1. Political leaders now aware of malaise in farming**

In recent years, France's political leaders have become aware of the unease prevailing in the farming sector, although they have no doubt only recently taken its full measure. In 1999, a first framework law (*loi d'orientation*) for agriculture sought to redefine policy goals and lay the foundations for a multi-functional approach to farming. Speaking in the rural township of Murat in central France on October 21, 2004, President Chirac outlined his view of a "competitive and ecologically responsible" farming industry. Similarly, the need to offer farmers new prospects for the future and a new vision of their industry has been a leitmotif in the Minister of Agriculture's speeches. Yet political action has not followed.

### **2. Scattered initiatives**

Over recent months, the government has brought out a stream of texts and projects, with initiatives including the adoption of legislation on rural development, the creation of an ad hoc group to consider agricultural issues in connection with reform of the so-called Galland law governing relationships between retailers and their suppliers, launch of the so-called Forissier plan for the modernization of the agri-food industry, adoption of texts implementing the new CAP in France, the *orientation*

*agricole* bill, and more. But none of these initiatives has the required breadth in itself and they do not make up a coherent whole. The *orientation agricole* bill should have been a means to provide the needed focus, but as it has turned out, the dispersion of other action has robbed it of real strategic content. Thus, whereas the Rural Development Act was intended to contain only a few articles, it was considerably extended in the course of parliamentary debate and now includes all sorts of provisions that should have been in the framework legislation, as for example the creation of a communications agency for the farming sector.

### **3. Framework legislation falls well short of expectations**

The *orientation agricole* bill soon to go before parliament marks progress in some areas, with positive points including the creation of a fund to make more of all factors of farming production, provision for the transfer of farming leases to ease successions, and modernization of the legal status of farms and agricultural cooperatives.

Yet rather than defining a direction as its name suggests, it offers an assortment of measures to assuage discontent in the farming sector with perks such as the abolition of tax on unbuilt land, access to replacement services with tax credits and improvements to the status of spouses helping to run the farm. In fairness to the Minister of Agriculture, it must be added that farmers have many and varied demands, even for the near term.

Yet the bill has nothing to say about such essential issues as the multi-functionality of farming, financing for non-commercial functions, the economic organization of relationships between farms and downstream industries, the development of research activities and the future of green energy. It thus fails to set a clear course for the coming ten years. The Minister of Agriculture has explained that he was unable to overcome resistance and conflicts of interest in areas such as the economic organization of agricultural segments together with downstream industries. He might have done better to take more time rather than sidestep such major challenges.

Moreover, the bill leaves the solution of several problems to the discretion of government ordinances, thus short-circuiting the democratic debate that is more than ever essential for the farming sector. This has also drawn criticism from the *Conseil économique et social*. Admittedly ordinances can be an effective way to deal with some highly technical questions such as accident compensation for farmers working less than half the minimum farm area. But an issue as important as the exploitation of the biomass deserves better than a text that simply provides for ordinances “charging various organizations with the mission of favouring the production and exploitation of biomass”. Shouldn’t the bill have made real provision for bioenergy policy, an issue so clearly calling for parliamentary debate?

These shortcomings are all the more regrettable as the government had prepared for the bill with debates entitled “*Agriculture, territoires et société*” (Agriculture, regions and society) held in different regions under the guidance of national commission at the end of 2004.



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## PROPOSALS

Today, French farming no doubt stands less in need of new legislation than of a plan for action to provide an effective, cohesive response to challenges at national, European and international levels. Clearly, this will have to be in keeping with the realities of the situation – as we have already noted, the compromise on CAP financing is on shaky ground, and society will not accept proposals for what will be seen as just one more farming reform regardless of cost.

**The overriding priority is to develop a new, economically viable model for agriculture.** Farmers cannot live at taxpayers' expense indefinitely and must win the financial independence that will earn them new respect and revive their appetite for investment and long-term projects. A corollary is the need to allow them more room for manoeuvre in all areas of their business including production, farm management and the provision of environmental services, since this is essential to renewed entrepreneurial spirit. A third requirement is that authorities focus attention on the development of an environment underpinning the competitiveness of French farms. Finally, none of this will be possible without effective communications addressing the public at large and bringing in the farming community – it is time to make farming as popular as nature is already.

**The action proposed here does not involve excessive costs.** Our proposals reflect the conviction that it is often possible to achieve a great deal with a simple change of approach

and attitude, whether in international negotiations, in the definition of national control procedures or in relationships between the farming community and society at large.

## **Priority 1: Create an economically viable model for French farming**

This entails the pursuit of two objectives—first, providing the basis for economically stronger agricultural production (proposals 1 to 5 below) and, second, diversifying functions and markets to offer farmers additional sources of income (proposals 6 and 7). Only when these have been achieved will it be possible to envision the withdrawal of public aid (proposal 7) combined with support to allow those in the most difficult circumstances to move out of farming (proposal 8).

### **1. Implement effective risk control<sup>28</sup>**

This is a natural starting point since risk factors including weather, food safety, animal and plant health, and the volatility of world market prices place persistently heavy burdens on farmers, putting them in a category apart.

- Continued public support is essential to provide a safety net, ensuring that farmers can sell their production at a guaranteed minimum price. **The complete market deregulation some advocate would be a mistake**, and the European Union must make this clear to the WTO. There are sound economic reasons for guaranteeing a

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<sup>(28)</sup> This issue is currently being reviewed at the European level.



minimum price, which can not only correct severe market failures,<sup>29</sup> but also smooth out price variations in a way that in the end lowers the average price paid by consumers, given that producers would demand a higher risk premium in a fully deregulated market. However, such public intervention must only be a safety net—a last resort and not a system guaranteeing farmers prices consistently higher than on the world market. Achieving this will require controlled reduction of support over time, with the pace dependent on some form of indexation, for example on technical progress, to avoid undue impact on farming incomes.

- Is it necessary for one to take an even further step and recommend an insurance system? Variations in taxation of personal and business income already partly offset price variations, as do decoupled CAP payments. Not to mention the natural insurance built into the market, where bad harvests mean high prices.

The French government has overridden these objections and set up a crop insurance scheme with public funding to cover part of the premiums.

### **Deployment of crop insurance**

The crop insurance system is being deployed by stages. Over the first three years, from 2005 to 2007, the government will cover 35% of premiums for most and 40% for young farmers. The cost is expected to be €10 million in 2005.

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<sup>(29)</sup> Required adjustments are more complicated in the case of supply-side shock owing to the perishability of agricultural products and the upward and downward rigidity of demand for farm products and food.

In time, crop insurance is intended to replace relief for agricultural disasters, but the future of the disaster fund (*Fonds national de garantie des calamités agricoles* or FNGCA) will only be decided once the performance of the insurance system can be reliably assessed. So far, 43,000 policies have been taken out.

This system does not look very efficient. Crop insurance cannot last on a long-term basis without generous public funding in view of systemic risk—thus, unfavourable weather, unlike household fires, affects everyone at the same time.

- The development of new tools such as futures and options for main commodity crops would no doubt be a better solution.
- There is also growing talk of an income insurance system, to which it may be objected that farmers should have to bear the risks associated with their business just like every one else. There is a much simpler alternative to such costly and questionable arrangements, which is to allow farmers to:
  - set aside provisions representing, for example, up to 50% of the proceeds of crops in good years
  - write these provisions back in more difficult years, thus smoothing out income swings.
- The way risk is shared between farmers and the downstream industries relying on their production must be placed on a contractual basis. Until now, producers benefiting from

guaranteed prices have had little incentive to pay much attention to contracts with purchasers downstream, but some initiatives have already been taken in this direction for products including wheat and rapeseed. These need to be extended to other areas to provide a reliable framework for commitments concerning quantities, prices (price levels, minimum prices and pricing mechanisms based, for example, on an organized market) and quality, with criteria defined for related discounts and bonuses.

## **2. Set up a framework for more balanced relationships between upstream (farmers) and downstream industries (large-scale retailers and agrifood industries)**

The development of contractual relationships between farmers and downstream industries (see previous proposal) would certainly make for a more even distribution of risk within the sectors concerned. The **inter-professional associations** representing these sectors should back moves in this direction by drawing up standard contracts to be used as models. They should also define a framework for commercial practices such as rebates, discounts and allowances granted by producers, putting effective curbs on those that are not offset by any real advantage in terms of volumes or frequency of purchases.

Other action is also needed. In the first place, to ensure proper application of laws and regulations, or, more precisely, to ensure that these can be properly applied. Why, for example, is article 54 of the Economic Initiative Act of August 1, 2003 not applied? In principle, this allows a halt to abusively low prices in the event of a temporary market “crisis” (*crise*

*conjoncturelle*”), providing for the payment of civil compensation by those responsible. The reason why it is not applied is simply that no definition of “crisis” has been offered and neither the public administration nor producer organizations have been empowered to initiate action. As the Canivet report on the so-called Galland law governing relationships between retailers and their suppliers states in a section concerning agricultural and related industries, the law appears “condemned to ineffectiveness” in its present form.

In some cases, the law needs to change. For example, inverse bidding is in itself a good thing, consistent with the public interest, but the use made of it today is scandalously unfair, with retailers named but not the producers, who have no assurance that bidding is honest. In cases like this, the solution is not to encourage the development of associations or understandings among producers, but to pass a law ensuring the transparency of the bidding process.

Finally, more effective monitoring and repression of anti-competitive practices in large-scale retailing should be a priority, calling on the combined efforts of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (DGCCRF – the competition and consumer affairs section of the Ministry of Finance) and the *Conseil de la Concurrence* (competition council).

The unequal balance of power between producers and businesses operating downstream from agriculture can thus best be corrected through reinforcement of a competition policy, still too low key given the clout of retailers, rather than

fresh adjustments to agricultural policy. Failing such reinforcement, steps could be taken to give farmers a little more bargaining clout through the development of sales cooperatives or similar organizations trading on both physical and derivatives markets. But this second-best alternative could also have a cost, increasing prices for consumers.

### **3. Create conditions for more fair international competition**

The European Union needs to adopt a clear international strategy.

It should not be afraid to speak up and make demands to the WTO, agreeing to phase out export subsidies<sup>30</sup> only on condition that there is a general move to harmonization of social and environmental standards and more equally shared efforts in favour of the least developed countries. Why shouldn't Brazil with its farming power and China with its industrial power be asked to join in the "Everything but Arms" initiative? In this, the EU clearly has to show the way with harmonization within its own borders.

The EU also needs to be less cautious in its dealings with the US, seeking the abolition of marketing loans and countercyclical payments to US farmers, which have an unsettling effect on world prices (see above). If it cannot obtain this, it would be in the EU's interest to adopt a similar system, although this is clearly only a second-best option, since it would have a significant cost, durably worsening imbalances in agricultural markets.

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<sup>(30)</sup> The former Minister of Agriculture Hervé Gaymard indicated that EU export subsidies would probably be "effectively dismantled by 2015 or 2017".

Finally, the EU must win acceptance for the idea that developing countries do not make up a homogenous group and should not be taken as such in agricultural negotiations, shifting the focus to preferred treatment for the poorest, where appropriate with additional favours.

#### **4. Overhaul the promotion and supervision of quality**

The goal should not be to focus farming exclusively on the top end of the market, a policy that would lead nowhere.<sup>31</sup>

##### **Quality first and last?**

Some with idealized views of consumer expectations advocate a policy centred on authentic traditional products and top quality. That would be self-defeating. Surveys conducted at supermarket checkouts are not a reliable guide to consumer preference, since responses are often dictated by a sense of the politically correct. An analysis of their actual behaviour shows that European consumers still mainly buy generic products offering value for money. That does not mean there is no place for special products with exceptional quality warranting a premium price, but this is necessarily a niche that can only account for a part of total production.

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<sup>(31)</sup> The failure would be economic, social and humanitarian. The challenges of feeding the world are a matter of quantity, not quality as such.

Instead, the aim should be to create reasonable conditions for the economic success of traditional farming and farms serving local markets—those that earn their living from the direct sale of their produce, target a narrow quality niche, or diversify into holidays on the farm.

The first step needed is to put some order into labelling systems. It is time to get back to one or two quality labels conveying varied information, as is the case for the Organic Farming label. While this may not be entirely convincing in scientific terms, it remains understandable for consumers and carries a consistent overall message, referring to organoleptic properties as well as environmental and ethical standards.

Ways should also be considered to bring the multiple public-sector organizations concerned with quality<sup>32</sup> together through an **agency for the promotion of French agricultural products**. This agency could be charged with representing the interests of producers, within the EU and in other parts of the world, regarding brands and origins, recognition for professional and regional initiatives, consumer information, etc.

## 5. Finance the non-commercial functions of farming

It is crucially important to offer a fair reward for non-commercial functions, that is, for the socially useful services of agriculture that are incidental to the business of farming in

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<sup>(32)</sup> These include the *Commission Nationale des Labels et Certifications* (CNLC), the *Institut National des Appellations d'Origines* (INAO), and the *Commission Nationale de l'Agriculture Raisonnée* (CNAR), together with recognized inter-professional associations, the *Société pour l'Expansion des Ventes des Produits Agricoles et Alimentaires* (SOPEXA), *Société Ubifrance* (agency for the international expansion of businesses) and the *Institut National de la Propriété Intellectuelle* (INPI).

the narrow sense. These include, for example, preservation of the environment and biodiversity, upkeep of the landscape, promotion of rural areas and carbon sequestration. Farmers will thus have a real incentive not only to adopt integrated farming methods, but also to offer services with significant environmental content.

Providing financial support for non-commercial services is an altogether realistic proposition. While the legitimacy of traditional farming aid is increasingly questioned, a number of surveys suggest that taxpayers would be prepared to contribute to the preservation of rural areas and their continued vitality (Colson, Stenger, 1997). Sizeable reserves of underutilized EU aid could also be made available for this purpose under Pillar 2 of the CAP.

However, two obstacles currently stand in the way of proper valuation and, by the same token, rewards for the services provided by agriculture:

- the scale of certain incidental services is still uncertain
- it is difficult to put a price on services, since there is not yet any precise monetary expression of corresponding consumer demand.

It should nonetheless be possible to move ahead with the development of pricing methods based on, for example, carbon storage prices<sup>33</sup> or, in the case of the landscape, the number of visitors and the rates charged for country accommodation. Another option would be a system of points

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<sup>(33)</sup> The market mechanisms to be set up under the Kyoto protocol on global warming include provision for payments in consideration of the role of farm and forest land in sequestering carbon.



for the achievement of non-commercial targets, with public aid in proportion to the number of points collected. Systems of this kind used for agri-environmental programmes in the US and Baden-Württemberg have proved fairly effective.

However that may be, the point is not to reward simple compliance with environmental legislation, but to finance a service creating added value for society, examples being removal of undergrowth to prevent forest fires and upkeep of grassland to prevent landslides, contributions to the protection of wildlife and soil protection with suitable agricultural procedures.

Services should be planned for and organized on the basis of specifications set out in a contract between the farmer and local authorities, who are best placed to identify and express local needs.<sup>34</sup>

Aid could include a simple system of lump-sum payments for compliance with good farming practices, plus bonuses for environmental excellence and special services, avoiding administrative overload in specifications and control procedures.

This should be coupled with stricter provisions for penalties, including criminal penalties for non-compliance.<sup>35</sup> Similarly, in accordance with the “polluter pays” principle, prices for water and pesticides should at last reflect the negative fallout resulting from irresponsible practices. The same principles should naturally apply to industrial concerns and individuals causing pollution.

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<sup>(34)</sup> *Communautés de communes* (local council groupings) would probably be the best choice for this, where necessary in partnership with regions.

<sup>(35)</sup> Experience shows that on the rare occasions where a farm operator has been put in prison for repeated violation of an EU Directive, this has helped to change attitudes.

The principle of polluter pays should be paired with a principle of rewards for those who reduce pollution.

## **6. Promote new outlets**

As explained above, non-food crops offer significant potential for farming development as well as preservation of the environment and natural resources. Clearly, public authorities should provide support.

Regarding biofuels, targets set by the EU and the French government are steps in the right direction, but experience shows that the sector will not really get off the ground without the adoption of official standards, defining selected high-profile ecological labels for the products, combined with tax incentives such as low-interest loans and subsidies for the purchase of low-emission vehicles, special tax rates and tax credits. This was the path taken by Brazil to ensure the success of bioethanol fuel.<sup>36</sup> As the example of the US shows, support for research is also critical<sup>37</sup> and in this area special emphasis should be placed on research into processes for the production of synthetic lignocellulosic biofuels. The properties of synthetic biodiesel fuels have raised considerable hopes, but so far only Germany is attempting production at a pilot plant, although Sweden is also showing keen interest.<sup>38</sup>

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<sup>(36)</sup> Brazil is now the world's largest producer of ethanol, with 320 sites backing plans for exports to markets including Japan, Korea, the US and the EU. Since 2004, Brazil has been pursuing a new programme for the development of biodiesel production.

<sup>(37)</sup> Heavy commitments to R&D and subsidies should enable the US to become the world's leading producer of biofuels by 2010.

<sup>(38)</sup> Synthetic biodiesel could correct the low yield per hectare of biodiesel crops, although the impact on greenhouse emission would be lower.

Finally, production targets in the French government's biofuel programme could be raised, even if this might require added subsidies. As the inter-professionals associations<sup>39</sup> interested have argued, these do not appear sufficiently ambitious despite the government's recent announcement of a second phase. The first phase involves a rise in output of 800,000 metric tons, which is well short of the 2.2 million metric tons applied for in response to the government's call for tenders.

Support for biofuels must not, however, be allowed to get out of proportion with the real economic, environmental and social benefits (including job creation, efficient regional planning and saving of resources), which need to be assessed case by case. For example, ETBE, an ethanol derivate, has been hailed by oil firms, but its ecological qualifications are controversial. The use of unrefined oil is questionable.

## **7. Phase out direct aid**

Once these reforms are under way, when a return to more fair competition at national and international levels is assured and main market shortcomings have been corrected, it will be possible to consider the gradual abolition of the direct aid now paid to farmers. Under these conditions, it will be up to farmers to show what they can do, since there is no reason why they should be indefinitely dependent on assistance, especially at a time when public resources are limited and much needs to be done to restore economic growth.

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<sup>(39)</sup> In particular those representing producers of wheat, maize and sugar beet (respectively, *Association Générale des Producteurs de Blé* or AGPB; *Association Générale des Producteurs de Maïs* or AGPM; and *Confédération Générale des Planteurs de Betteraves* or CGB).

Change that is foreseeable, anticipated and gradual does not entail a macroeconomic cost. We must, however, stop making a sacred cow of subsidies to keep under-equipped, uncompetitive farms with no hope of turning a profit on life support. The move towards a model based on some 150,000 professional farms with an exclusive focus on production should not be seen as a drama provided that these farms serving large markets are truly and lastingly profitable, and that they coexist with mixed farms also operating on a professional basis and creating jobs but focusing more on local markets with a combination of activities such as the production of farm-made food and services such as holidays on the farm. Consideration must also be given to secondary farming activities such as the use of small areas for leisure. These are a source of vitality in the sector, although they obviously cannot be treated in the same way as regards the CAP.<sup>40</sup>

## **8. Provide special indemnities to ease departures from the least competitive farms**

At the same time, the critical situation of some farmers even now preparing to leave the sector warrants targeted support in recognition of their distress in the face of increasingly strict requirements for hygiene, environmental protection and workplace safety that they do not have the financial resources to satisfy. Society must be able to allow them a dignified retirement in consideration of their contributions to social and agricultural progress over the past 60 years, providing them with adequate indemnities.<sup>41</sup> This would be in keeping

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<sup>(40)</sup> Moreover, secondary activities must not take up the land needed for production.

<sup>(41)</sup> An arrangement of this kind has been adopted in central and eastern European countries with minimum income payments on a semi-temporary basis.

with the traditional role of the CAP in preserving social cohesion in times of rapid change<sup>42</sup>, which has probably been its greatest merit.

## ■ **Priority 2: Offer farmers new room for manoeuvre**

### **1. In production**

One advantage of direct aid is that it can help correct distortions in EU and French farming production.<sup>43</sup> But other corrections are also needed with the elimination of constraints such as those on oil and protein crops within the framework of the Blair House agreements, which place unwarranted and ineffective limits on production in the EU. Renegotiation of these agreements will not be an easy task, but it should not be considered off limits. In the future, the EU should avoid international agreements that increase supply-side rigidity, so as to provide farmers with the leeway and incentives to optimize production allocations.

### **2. In implementation of conditionality<sup>44</sup>**

In this area, the overriding priority must be to avoid further complication of existing constraints under EU law. The French version of conditionality must not impose a bureaucratic straitjacket on farmers. Regulators should follow Spain's example and relax constraints, which will require more work

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<sup>(42)</sup> It must be remembered that farming employed around a third of the French labour force in 1950, a proportion that has since fallen to around 1/30.

<sup>(43)</sup> The CAP in its original form encouraged a large number of farms to specialize in staples such as butter, powdered milk and field crops, particularly cereals. This was no doubt a curb on growth in sectors as oil and protein crops and sheep raising, as well as in profitable niches based on diversified production.

<sup>(44)</sup> Under the reformed CAP, aid is conditional on compliance with rules relating to the environment, food quality and animal welfare, as well as with the general requirement to maintain land in good agricultural condition (see above).

from civil servants. But it is still not too late, considering that the new CAP regime will not apply in France until January 2006. And it is certainly better to adapt rules rather than refuse to apply them.<sup>45</sup>

A second imperative is to adopt an intelligent approach to supervision and inspection, avoiding pointless bureaucratic quibbles and redundant procedures. Consideration could also be given to the possibility of peer reviews to make inspections more acceptable, backing this up with random checks and criminal charges for serious breaches of environmental rules, etc.

### **3. In the supply of non-commercial services**

A clear course must be defined, setting ambitious yet realistic objectives for farmers, with requirements regarding services and good farming practices that are attuned to the realities of their business. For this, local and regional authorities will have to work alongside farmers and their representatives, sharing responsibility for the drafting of specifications matching local conditions. And the lessons of the past should not be forgotten:

- Many farmers rejected the offer of *contrats territoriaux d'exploitation* (contracts between farmers and the government defining environmental targets – see above) because they did not want to commit themselves to excessively rigid requirements over several years, with the danger that they would not be able to adapt to changes in their professional environment. The *contrats d'agriculture durable* (sustainable

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<sup>(45)</sup> The Minister of Agriculture recently indicated that there would be no penalties for minor transgressions, at least initially.

farming contracts) that have replaced these contracts got off to a difficult start for the same reasons.

- For farmers, the requirements of so-called quality charters have too often involved significant additional costs without ensuring market opportunities in exchange.

The success of multi-functionality with farmers thus depends on adequate visibility regarding the consequences of the proposed commitments, the economic rewards for compliance and scope for adjustments where necessary.

#### **4. In farm operation**

There is an urgent need to ease administrative burdens on farmers. Immediate action is possible on two fronts:

- Ask the European Commission to draw up proposals for the simplification of applications for Pillar 2 payments by the end of 2005.
- Set up a commission of farmers and officials to review scope for administrative simplification over the near to medium term.

#### **The four keys to renewed dedication to farming**

- Relaxation of regulatory and administrative constraints with the adoption of pragmatic rules that are easy to apply and show respect for farmers and their work.
- Recognition for farmers as responsible business operators for their judgement and ability to adapt.
- Recognition for their contribution to the social and economic vitality of diversified rural areas.

- Renewal of the vision underpinning the economic model for farming over the medium to long term. By nature, farming demands heavy investments, particularly in land, generating low returns, which means that it also requires high visibility for continued economic viability over time.

### **Priority 3: Create an environment reinforcing the competitiveness of French farming**

#### **1. Streamline the agricultural techno-structure to achieve more with less**

French farming is probably over-administered.

No fewer than 370 administrative entities are concerned (see appendix 4).<sup>46</sup> The Ministry of Agriculture alone has a staff of over 35,000, while local chambers of agriculture (*chambres départementales d'agriculture*) employ 8,320 people; agricultural offices 3,000; the *INRA*, France's national agricultural research institute, 8,600; the *CEMAGREF*, another research institute, 1,000; and the *CNASEA*, the agency for the payment of certain forms of aid to farmers, 490, making a total of nearly 56,500. Given that there are 600,000 farms in France, this means that there is a ratio of nearly one employee for every ten farms.

There is no doubt scope for a review of this multiplicity of competent organizations to make savings without excessive haste, first considering the historical and functional justification

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<sup>(46)</sup> Source: Quid 2005, p. 1764 sq.



for each in partnership with the farming community. The aim should not be abolition for its own sake, but to avoid redundancies and waste, applying the same demands for efficiency to agricultural administration as to farming. The *orientation agricole* bill shows the way to this, reorganizing ten agricultural offices into three groups with clearly defined functions.

## **2. A new ministry with broad competence in agriculture, the environment and consumer affairs?**

Looking ahead, it might be worth considering the possibility of setting up a new ministry with a broad range of competencies and strong synergies regarding agriculture, the environment and consumer affairs.

There is nothing extravagant about this idea. In many countries, there is no ministry with competence exclusively confined to agriculture. The broadly-based ministry suggested here would have greater influence and a higher public profile, at the same time providing a framework for the resolution of conflicts that often result from rivalry among existing organizations, as illustrated by the cultural gap between the Ministry of Agriculture and the Ministry for the Environment. Its reach and authority in a coherent set of related areas would also enable it to provide effective support for multi-functionality in farming.

Objections of two kinds have been raised to this type of proposal:

- the current scope of the ministry, which encompasses farming, fishing, food and rural affairs is coherent and carries significant economic weight, since the sectors represented account for over 15% of GDP including agri-food industries

- there is no more reason to couple agriculture and the environment than industry and the environment, or, for that matter, industry and agriculture, given the prospects for non-food production.

A less ambitious alternative would be to reinforce co-operation, creating a contractual framework for relationships between the ministry for agriculture and the ministry for the environment, with agreed targets and commitment of resources, staff exchange and rotation, the development of common communications, shared projects, etc. Links to the Ministry for Industry should also be consolidated, in particular in the fields of energy and consumer affairs.

### **3. Focus research spending on priorities**

Research must provide responses to varied challenges, in particular the achievement of productivity gains, favouring the development of a more diversified production and processes that are also safer, less demanding on natural resources and more environment-friendly.

As already discussed, biofuels, biochemicals and biomaterials deserve special attention and a move in this direction has been made through the government-sponsored agency AGRICE (*Agriculture pour la Chimie et l'Énergie*). **Biotechnology and genomics should also be priorities**, since a fuller knowledge of the genetic makeup of plants and animals and of the role of individual genes opens the way for the development of varieties offering improved economic and environmental performances. This in turn holds the promise of improved returns on farming, reducing exposure to climatic, ecological and biological risk, as well as a wider choice for consumers.

It is thus important to eliminate legal obstacles and otherwise to GMO research that are without scientific foundation, at the same time helping to make information more readily available and enhancing the quality of public debate.

Biotechnology also has the potential to extend the range of available plant products, including new applications in pharmaceuticals, biodegradable plastics, chemicals and derivatives of cellulose and starch.

France must help to ensure that European research does not neglect agriculture and downstream sectors. The EU's Sixth Framework Programme for research and development slashed allocations to agriculture-related research, particularly in plant biotechnology. Advantage must be taken of preparations for the Seventh Framework Programme to reaffirm ambitions in this area.

A special effort should also be made to promote the creation of pan-European **technical platforms** bringing together all concerned parties including scientists, industry bodies, political leaders, consumer groups, associations, etc. following the model of the initiative "Plants of the future—a European vision of genomics and biotechnology to 2025."

#### **4. Favour the development of a science and technology watch in the agricultural sector**

The goals are to:

- track commodity prices and market demand (in agri-food, non-food industries, livestock production, etc.) more effectively, allowing farmers to better foresee trends and plan for appropriate stock levels

- enhance modelling and forecasting capacity, not only to anticipate developments in world-wide supply and demand, but also to foresee the impact of decisions taken or envisaged, for example within the framework of the WTO
- develop tools for rapid crop characterization to provide full specifications before products are put into silos, thereby creating a competitive advantage for farmers and downstream industries through optimum allocation of supplies and reliable anticipation of quantities available for specific uses.

## **5. Public investment to reduce transport costs**

Transport costs have risen very significantly relative to the value of the agricultural products carried, which calls not only for continued government commitment to the development of infrastructure for transport by railroad, inland water way and coastal shipping, but also for the construction of:

- local processing facilities increasing value added in the products carried
- large facilities such as port silos to allow pooling of production before shipment, thereby generating economies of scale.

Investments should focus on links within the Mediterranean basin.

## **■ Priority 4: Make a special commitment to communications**

Communications have a key role to play in agriculture, perhaps more than in other sectors, since there is a need to correct common perceptions out of touch with contemporary realities. There is also a need to talk more about farming and less about

farmers' demands. At present, the Federation of French farmers' unions FNSEA (*Fédération Nationale des Syndicats d'Exploitants Agricoles*) is the main source of communications for the sector in France, and its positions are all too often critical reactions to others. Yet judging by the undiminished popularity of the annual farm show in Paris, public interest and attitudes allow room for a more positive, less strident message. Some proposals for a communications strategy emphasizing the importance of farming for the future of France, Europe and the world as a whole are set out below.

### **1. Pay closer attention to the farming community**

Regular inter-regional<sup>47</sup> assemblies (e.g., every five years) could be held, bringing together all stakeholders to review agricultural issues, following the example of preparations for the *orientation agricole* bill.

### **2. Promoting the appeal of farming professions**

To this end, effective support could come from the launch of a multi-media centre devoted to agriculture. This should follow the example of the *Cité des Sciences et de l'Industrie* in Paris, the word "*Cité*" being important since it evokes the connection to contemporary society; "museum" would be inappropriate, suggesting an interest only in the past. This centre should help to consolidate the place of farming in society with new public recognition. The organization of regular open days at farms could contribute to the same goal.

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<sup>(47)</sup> This seems more appropriate than organization at purely regional level, since confrontation between the aspirations of different regions with contrasting features will favour the emergence of new ideas and reasoned compromise.

### **3. Take action to improve the international image of the Common Agricultural Policy**

The CAP does not have a good image. Promotion and explanation of the Policy have never been high priorities, contrasting with the approach of the Cairns group and a number of NGOs that devote ample resources to media campaigns and events in their continuing condemnation of “European farming protectionism”. It is time to develop a genuine communications strategy in favour of the CAP.

#### **Facts to emphasize**

- No country in the developed world does as much for poor countries as the EU, which offers privileged market access under the Cotonou Agreement with 77 African, Caribbean and Pacific countries and the 2001 “Everything but Arms” initiative in favour of 49 least developed countries.
- The EU is by far the biggest importer of agricultural and food products from developing countries, which represent an amount of \$30 billion to \$35 billion accounting for 60% of its total imports in this area. The EU alone thus takes up one quarter of all agricultural exports from developing countries and three-quarters in the case of the least developed countries, compared with 12% for the US.
- A high proportion of EU farming exports, representing around 60% of the total, are in sectors (wheat, dairy products, wines and spirits, etc.) that are not in competition with exports from developing countries (rice, fruit, cotton, etc.). Regarding the remaining 40%, exports with entitlement to restitution payments represent an amount

equal to only around 6% of developing countries' exports.

- The amount of export subsidies has been divided by three over the past ten years and the EU gave a commitment in Geneva to dismantle them entirely by 2015 or 2017.

#### **4. Favour the emergence of debate in the field of agriculture**

This important objective requires:

- Sharing of knowledge and information between the Ministry of Agriculture and universities within a permanent, structured framework. At present, such exchange is often in response to a pressing need concerning a specific point, which does not favour joint consideration of more fundamental issues.
- Measures ensuring a multi-disciplinary approach to farming issues based on permanent structures, for example, through the development of scientific partnerships between universities and agricultural research and teaching institutions.
- Action to ensure debate on agriculture within the EU is not confined to budgetary issues.

#### **Creation of a French agency for agricultural information and communications**

The Rural Areas Act of February 10, 2005 provides for the creation of a French agency for agricultural information and communications, charged with planning and

implementation of communications programmes concerning farming and, more broadly, rural areas. This will take over from the promotion and information fund (*fonds de valorisation et de communication*) set up in 1999. The agency's board members will include an equal number of representatives of the government, the farming community, agri-food industries, local authorities and consumers, as well as others appointed for their special knowledge and experience. In time, funding should reach €10 million a year.

The question is whether this was really needed. While the agency has the advantage of high visibility and, no doubt, responsiveness, this does not offset the drawbacks of transferring an essential function away from the Ministry of Agriculture and adding yet another structure in a sector already overwhelmed with institutions and committees of all kinds. However, now that it exists, we can only hope that it will follow the path traced out in this report.



## CONCLUSION

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Not only is it still possible to have ambitions for agriculture in France and Europe, it is also urgent to offer farmers new prospects for the future, as a matter of public interest. Farming makes an essential contribution to our societies, not only directly, but also through its many positive spin-offs.

The challenge is to provide a viable economic model for farming.

Developments such as the emergence of new markets and the exploitation of biomass will favour this, but determination and initiative will also be needed to create the conditions for healthier, more fair international competition and more balanced relationships between farming and downstream industries in the domestic economy. They are also needed to provide for effective risk management and financing of the non-commercial functions of farming, such as its role in regional planning, rural development and limitation of greenhouse effects. France should not turn its back on farming centred on production, but the future of agriculture also hinges on diversification.

Another essential priority is to loosen the constraints, imposed by the EU and aggravated by French regulators, that place an unacceptable burden on farmers and stifle all spirit of initiative.

Once these conditions are met, and only then, will it be possible to envision a controlled, step-by-step process to dismantle the system of public subsidies. Farmers cannot live

at the taxpayers' expense indefinitely and in any case aspire to renewed financial independence. What satisfaction could they find in giving up their role as operators of their own business to become mere administrators or recipients of public assistance?

Agricultural reform can only succeed with farmers, not against them. It does not require heavy financial commitments, but first and foremost a change of attitude combined with adjustment or simplification of the regulatory framework. It is up to all parties concerned to contribute to a project allowing the transition from the combination of assistance and the hopelessness arising from the CAP reforms to a new model of economic development and responsibility, restoring the freedom of farmers.

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## APPENDICES

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### ■ Appendix 1: Aims, development and operation of the CAP

#### **Founding goals and principles**

The Common Agricultural Policy took shape at a time when memories of rationing in the aftermath of World War II were still fresh. The priority for the six founding EC members was thus to **ensure the security of food supplies** through a combination of technical modernization, market stabilization and financial solidarity with farmers.

#### **Aims and Principles of the Common Agricultural Policy**

As defined in article 33 of the Treaty of Rome, the objectives of the common agricultural policy are:

- (a) **to increase agricultural productivity** by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour
- (b) thus **to ensure a fair standard of living** for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture
- (c) **to stabilise markets**
- (d) **to assure the availability of supplies**
- (e) to ensure that supplies **reach consumers at reasonable prices.**

In July 1958, the Stresa Conference adopted the three operational principles governing the CAP. These are:

- **establishment of a single market** implying complete freedom of trade among Member States and common price policies for a number of agricultural products
- **community preference**, which means protecting internal markets in order to favour products produced in the community above imported products. To offset the difference between community and world market prices, the community makes restitution payments to exporters and levies duty on imports
- **joint financial responsibility** with a common budget to finance CAP spending.

The CAP was put in place in accordance with these principles between 1960 and 1964 with the creation of:

- **common market organizations** underpinning community prices with mechanisms including the purchase through organizations specialized by sector of excess production at guaranteed prices
- the **European Agricultural Guidance and Guarantee Fund (EAGGF)** with a “guidance” section to finance projects for improving farm structures, rural infrastructure and facilities, etc. and “guarantee” section for the financing of market organization.

The traditional methods applied under the CAP—price support, production subsidies, quotas, etc.—proved effective in the post-war context, stimulating production and favouring long overdue structural and technical adjustments.

## Reform

Price support however, led to production getting out of hand and there were proposals for the reform of price guarantees as early as 1969. These were met with fierce opposition and only a few structural measures were adopted under the Mansholt plan in 1972.

They were not enough to curb runaway spending, with the budget for EAGGF guarantees tripling in real terms from 1973 to 1984. While export restitution payments enabled European farmers to place their surpluses on world markets, growing international competition drove prices on these markets down, thus raising the cost of restitution and creating a vicious circle.

- Initial reforms to deal with excess production included the introduction of milk quotas in 1984, then, in 1988, the adoption of budgetary stabilizers setting ceilings on production and providing for cuts in institutional prices if these were exceeded. Quotas made a positive contribution to restructuring and modernization in the dairy sector, but stabilizers failed to contain rises in market organization spending<sup>48</sup> and the pressures of multilateral trade negotiations made more vigorous reform inevitable.

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<sup>(48)</sup> The price cuts provided for were too limited to restore market balance, but their negative impact on the income of farmers, who at the time received no compensation, was excessive. Moreover, cuts amounted to a collective penalty, without individual farmers taking responsibility for exceeding production ceilings.

- **The MacSharry reform of May 1992—a double break with the past:**

- The MacSharry reform was the first step in a process largely replacing price support, financed by consumers, with direct aid to farmers, financed by taxpayers. **Direct aid**, partly decoupled from production, and calculated on the basis of areas cultivated in the past in the case of cereals or past herd numbers in the case of livestock premiums, was to fully offset the impact of lower guaranteed prices.<sup>49</sup>
- The second innovation was the adoption of a certain number of **measures to favour rural development** and conservation of the environment.

- **The Agenda 2000 reform, adopted in Berlin in May 1999, took moves in these directions further:**

- **Decoupling** of aid continued, with a rise in premiums per hectare offsetting, albeit not completely, renewed cuts in institutional prices.<sup>50</sup>
- Rural development policies were extended and elevated to the status of the **CAP's Pillar 2**.

The reforms of 1992 and 1999 succeeded in correcting main structural imbalances in markets at a cost of €10 billion, raising the CAP budget from €30 billion to €40 billion. They led to a profound change in the distribution of spending: direct aid accounted for only 19% of EAGGF guarantee spending in 1992 but rose to 65.2% in 2001, while spending on intervention and restitutions to regulate the market decreased from 81% to 29%.

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<sup>(49)</sup> Intervention prices were cut 30% for cereals and 15% for beef. In practice, this was not always fully offset by direct aid.

<sup>(50)</sup> Reduced by 15% for cereals, 20% for beef and 15% for milk.



- The **Fischler reform** adopted by the European Council on June 26, 2003 as part of a midway revision of the Agenda 2000 programme, continued the 1992 and 1999 reforms, albeit with a radical change in the forms of community support for agriculture.

### **Main features of the new CAP following the Fischler reform**

There are five defining features:

- **Single Farm Payments**—these replace most of the premiums paid through common market organizations.<sup>51</sup> They were initially supposed to be entirely decoupled from production, but in response to a request from France and others, some scope for coupling was retained to avoid land being deserted and some kinds of production being abandoned. The number and amount of entitlements to payments are calculated for each farm on the basis of the direct aid received in the years from 2000 to 2002.
- **Conditionality:** Single Farm Payments are conditional on compliance with standards for the environment, food quality and animal welfare, as well as the general requirement to maintain land in good agricultural condition.
- **Modulation:** To reinforce Pillar 2 of the CAP, a fraction of direct aid (3% in 2005, 4% in 2006, then 5% in 2007) must be redirected into rural development. Pillar 2 is now financed in equal parts by the Union and Member States.

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<sup>(51)</sup> Single Farm Payments apply across main sectors including cereals, meat and milk. In 2006 they will be extended to tobacco, olive oil and cotton.

- **Financial discipline:** A mechanism has been set up to prevent overshooting of limits on agricultural spending.
- **Subsidiarity:** Member States are allowed some discretion in the application of reforms, in particular in regards to the timeframe and the way they go about decoupling. France, Finland, Greece, the Netherlands and the United Kingdom will not implement the Single Farm Payment scheme until 2006. The other ten pre-enlargement members have implemented the new CAP since 2005. In France, simulations are being run in 2005 to prepare for 2006. The government has indicated that aid for field crops and livestock will remain coupled as far as the Luxembourg accord permits.<sup>52</sup>

## ■ Appendix 2: The impact of enlargement on agriculture

The consequences of enlargement are one of the most important challenges for the Common Agricultural Policy over the coming 20 years.

The weight of agriculture in the economies of the ten new members is well above the European average, accounting for 3.1% of their total GDP and 13.2% of their labour forces, compared with 1.7% and 5.1%, respectively, for the 15 pre-enlargement members. Enlargement will ultimately add 3.8 million farmers to the 6.8 million already in the EU, raising the total by 56%, while the useful farming land-area will

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<sup>(52)</sup> Dairy cow premiums and the slaughter premiums on calves will remain unevenly coupled to production. Other slaughter premiums will remain 40% coupled and premiums for sheep and goat meat 50% coupled.

increase by 29%. Among the newcomers, Poland has the largest farming sector, representing a workforce of 2.5 million and 40% of the total agricultural production of the ten countries.

This might suggest that enlargement will cause an unprecedented shock for the agriculture of the 15 old members, but the danger of products from the new members flooding their markets is in fact limited since:

- **The price and non-price competitiveness of farming products from eastern and central Europe remains low.** Yields per hectare are a low 3 to 5 metric tons of cereals compared with an average of 5.7 metric tons for the 15 old members. Lower quality also reduces appeal for increasingly demanding European consumers.
- **Fragmentation of land holdings is an obstacle to productivity gains.** In Poland, for example, 57% of farms have an area of less than five hectares and 24% less than two hectares. As for the large farms set up under communism, they have suffered from the end of the subsidies they used to receive and are burdened with heavy debts. They nonetheless have definite potential and could be a threat for producers in the west if they are taken over by investors to specialize in high yield crops.
- Modernization of farming and agrifood industries in these countries is hampered by **slow progress towards an efficient property market.**
- **Obsolete agricultural infrastructure** will demand massive investments and extensive restructuring. To take one example, Poland counts as many abattoirs as all the 15 old EU members together.

- **EU support will be made available to farmers in central and eastern Europe only by stages and will not weigh on the CAP budget until 2013.** At the European Council meeting held October 24 and 25, 2002 in Brussels, the 15 agreed to phase in direct aid for new members, with 25% of the full entitlement to be paid in 2004, 30% in 2005, 35% in 2006 and 40% in 2007, then a step-by-step rise to 100% in 2013. At the same time, they agreed to maintain the CAP budget unchanged until 2013. New members may also provide additional support at national level. Regarding rural development, the Union will provide co-financing equal to 80% of the cost of measures adopted by new members compared with 50% at present for the 15 old members. New members also obtained agreement for a semi-subsistence allowance of €1,000 a year per farm over five years at most to ease and accelerate restructuring in the sector. All told, aid to new members will amount to €9.7 billion over the period from 2004 to 2006. Commitment appropriations for enlargement total €40.85 billion and structural funds will pay out an additional €25.5 billion over the period.

**France has always defended the need for financial solidarity with farmers in new Member States,** whereas net contributors to the EU budget including Sweden, Germany, the UK and the Netherlands opposed early access to direct aid. In so doing, they argued that farmers in central and eastern Europe had no claim to compensation for cuts in guaranteed prices they had never benefited from and that it would be undesirable to run the risk of unbalancing the economies of new members for the sole benefit of their farming sectors. The new entrants, on the other hand, found

the idea of membership without the benefit of the main common policy unimaginable. Poland is also upset about having to make a full contribution to the CAP budget and receive only 25% of direct aid, especially as new members were immediately entitled to 100% in earlier enlargements.

**With aid phased in over time, new Member States should be able to avoid delays to restructuring of their farming sectors, while the EU will avoid the risks of enhancing their competitiveness artificially and seeing CAP spending spiral out of control.**

However, while the situation should remain fairly stable through to 2013, the CAP budget, already under threat, will inevitably have to be divided up among growing numbers of increasingly demanding participants. Among the candidates for the second wave of enlargement—Romania, Bulgaria, Slovakia, Latvia and Lithuania—agriculture carries even more weight than among those in the first wave, accounting for 27.3% of the labour force and 13.1% of GDP compared with 13.2% and 3.1%, respectively, for the latter group. **At the very least, enlargement will demand narrowing of priorities and downward revision of agricultural outlays in a number of areas.** It will also entail sweeping changes in the distribution of CAP spending, with the result, for example, that the UK could little by little become a net contributor. More fundamentally, enlargement could reinforce the current trend to renationalization of the CAP.

**New entrants are sympathetic to the idea of decoupling, compatible with WTO principles, and reinforcement**

**of the CAP's Pillar 2.** In selecting options for direct aid, they have made decoupling and simplicity the priorities. Looking ahead, **the simplified system of a decoupled premium per hectare adopted by Poland could become the standard in the EU**, with Member States financing supplements at national level to meet their own objectives. This demonstrates the need for active diplomacy on agricultural issues from both political authorities and professional associations in countries that wish to preserve policies of market intervention and stabilization.

### ■ Appendix 3: Agriculture and the World Trade Organisation

**Agriculture came within the purview of the GATT, then the WTO**, as a result of the Uruguay Round accord on agriculture reached in Marrakech in 1994. It is now supposed to become an economic sector just like any other, fully exposed to market forces. Government support, or more precisely the form and scale of that support, is in question because of market distortion disrupting trade. Domestic support is sorted into so-called boxes, coloured amber, blue and green according to its nature and its impact on trade.

#### **WTO boxes**

The **amber box** applies to domestic support for specified products, considered the most distorting and the subject of commitments to reduction under the Marrakech agreements.

The **blue box** is for direct aid paid to producers as part of a programme to limit output. These subsidies are protected by so-called “peace clauses”.

The **green box** is for measures that cause at most minimal distortion of production or trade. They must be government-funded (not by charging consumers higher prices) and must not involve price support.

**WTO negotiations have shaped the development of the Common Agricultural Policy, on occasion even before they got under way.** The MacSharry reform of 1992 was launched ahead of the Uruguay round since it was considered that reduction of guaranteed prices offset by decoupled direct aid would ease the start of negotiations. In the event, farmers got the impression they were asked to pay twice.<sup>53</sup> Similarly, the European Commission presented the Fischler reform of 2003 as an essential pre-condition for the launch of WTO talks, but farmers, soured by their experience in 1992, judged it entirely premature, since concessions offered from the start tend to go unrewarded.

In point of fact, Member States often wave WTO constraints as justifications for reforms they wanted anyway to free them from massive payments in support of farmers.

- **In Marrakech in 1994**, the EU undertook to slash support across all agricultural sectors, promising a 21% reduction in

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<sup>(53)</sup> The starting point for negotiations was the situation after the reform, not before.

the quantity of production qualifying for restitution payments and a 36% reduction in related outlays from 1994 to 2000.

- **In Doha at the end of 2001**, it started the trade round off with an undertaking to roll back export subsidies. In 2003, this resulted in fresh decoupling to avoid a rise in community stocks that it would not be possible to place on world markets on the same terms, given the cuts in restitution payments.
- **Following the failure of the Cancun Ministerial Conference in September 2003**, which saw a shift in alliances and increased representation of emerging G20 economies, talks on agricultural trade were at a standstill for several months.
- **An agreement was finally reached in Geneva on August 1, 2004**. Undertakings concerned the elimination of export subsidies, reduction of customs barriers through higher import quotas and lower duty, and reduction of domestic support. The details of schedules for implementation and the amounts involved are to be worked out in time for the Ministerial Conference to be held in Hong Kong in December 2005.

**France's Minister of Agriculture recently estimated that direct export subsidies in the form of restitution payments would be completely dismantled by 2015 or 2017.** The EU currently accounts for 90% of direct export support worldwide. **In exchange for its commitments in this area, the EU won agreement at Geneva for the**



**principle of regulation for other forms of export support.** These mainly concern export loans in the US and government-run corporations with virtual monopolies on foreign trade in Canada, Australia and New Zealand. The elimination of export loans for periods over six months, the case for 60% of export loans in the US, has already been agreed on.

While the new CAP aims to have as much of its aid as possible in the WTO's green box, some countries in the G20 dispute claims that direct aid does not distort trade, arguing that the assurance of an income, even if it is decoupled from production, gives European farmers an unfair advantage. The Geneva agreement has preserved the WTO's green box for the moment, but **this should be viewed with caution** considering the WTO cotton panel's recent ruling against US domestic subsidies.

#### **Appendix 4: Organizations involved in the administration of French agriculture<sup>54</sup>**

##### **Public bodies**

ACOFA (*Agence centrale des organismes d'intervention dans le secteur agricole*)

ADAR (*Agence de développement agricole et rural*)

CNASEA (*Centre national pour l'aménagement des structures des exploitations agricoles*)

FIRS (*Fonds d'intervention et de régularisation du marché du sucre*)

INAO (*Institut national des appellations d'origine*)

INRA (*Institut national de la recherche agronomique*)

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<sup>(54)</sup> Source : Quid 2005, Robert Laffont, p.1763 sq.

ODEADOM (*Office de développement de l'économie agricole des départements d'outre-mer*)

OFIVAL (*Office national interprofessionnel des viandes, de l'élevage et de l'aviculture*)

ONF (*Office national des forêts*)

ONIC (*Office national interprofessionnel des céréales*)

ONIFLHOR (*Office national interprofessionnel des fruits, des légumes et de l'horticulture*)

ONILAIT (*Office national interprofessionnel du lait et des produits laitiers*)

ONIOL (*Office national interprofessionnel des oléagineux, protéagineux et cultures textiles*)

ONIPPAM (*Office national interprofessionnel des plantes à parfum, aromatiques et médicinales*)

ONIVINS (*Office national interprofessionnel des vins*)

## **Other organizations**

28 SAFER (*Sociétés d'aménagement foncier et d'établissement rural*)

FNSAFER (*Fédération nationale des sociétés d'aménagement foncier et d'établissement rural*)

SCAFR (*Société centrale d'aménagement foncier rural*)

ACTIA (*Association de coordination technique pour l'industrie agro-alimentaire*)

CEMAGREF (*Centre national du machinisme agricole, du génie rural, des eaux et des forêts*)

CENECA (*Centre national des expositions et concours agricoles*)

CETIOM (*Centre technique interprofessionnel des oléagineux métropolitains*)

CNIEL (*Centre national interprofessionnel de l'industrie laitière*)

CNIPT (*Comité national interprofessionnel de la pomme de terre*)

SOPEXA (*Société pour l'expansion des produits agricoles et alimentaires*)

### **Professional associations**

APCA (*Assemblée permanente des chambres d'agriculture*)

99 *Chambres départementales d'agriculture* (8,320 agents)

26 *chambres régionales d'agriculture*

CNMCCA (*Confédération nationale de la mutualité, de la coopération et du crédit agricoles*)

*Confédération paysanne*

*Coordination rurale union nationale*

FNCA (*Fédération nationale du crédit agricole*)

FNCUMA (*Fédération nationale des coopératives d'utilisation de matériel agricole*)

FNPPR (*Fédération nationale de la propriété privée rurale*)

FNSEA (*Fédération nationale des syndicats d'exploitants agricoles*)

*Jeunes agriculteurs*

MODEF (*Mouvement de défense des exploitants familiaux*)

UCCMA (*Union des caisses centrales de la mutualité agricole*)

UNSA (*Fédération générale des salariés des organisations agricoles et de l'agroalimentaire*)

### **Producer organizations**

30 *comités économiques*

AGPB (*Association générale des producteurs de blé et autres céréales*)

AGPM (*Association générale des producteurs de maïs*)

AGPV (*Assemblée générale des producteurs viticoles*)

CFA (*Confédération française de l'aviculture*)

CGB (*Confédération générale des planteurs de betteraves*)

CNE (*Confédération nationale de l'élevage*)

FNB (*Fédération nationale bovine*)

FNO (*Fédération nationale ovine*)

FNPF (*Fédération nationale des producteurs de fruits*)

FNPL (*Fédération nationale des producteurs de lait*)

FNPT (*Fédération nationale des producteurs de tabac*)

FOP (*Fédération des producteurs d'oléoprotéagineux et de protéagineux*)

### **Miscellaneous organizations**

Coop de France

CCVF (*Confédération des coopérations vinicoles de France*)

FNCBV (*Fédération nationale de la coopération bétail et viande*)

135 SICA (*Sociétés d'intérêt collectif agricole*)

## **■ Appendix 5: Forms of support for farming**

Aid falls into **six main categories**:

- **direct aid**, which now carries significantly more weight than in the past, accounting for 65.2% of EAGGF guarantee spending in 2001 compared with only 19% in 1992
- **export restitution**, the amount of which was, in contrast, divided by three over ten years
- **market support**, which has been significantly reduced as a result of multilateral trade agreements
- **national aid complementing community aid**
- **other national aid**
- **other aid** (structuring of producer organizations, responses to particular problems, etc.).

Community aid includes:

- **arable area aid**, designed to offset cuts in prices for cereal

oil and protein crops, with mandatory land set-asides contributing to the control of production. In France, payments are made through ONIC and ONIOL.

- **special beef premiums**, designed to maintain production of steers and bulls. Payments in France are through OFIVAL.
- **suckler cow premiums**, designed to maintain production of cows for beef cattle breeds. Payments in France are through OFIVAL.
- **slaughter premiums**, for the slaughter of cattle or their export outside the EU.
- **ewe premiums**, compensating income impairment for breeders of ewes (and goats in disadvantaged areas). Payment in France is through OFIVAL.
- **area-based compensatory allowance**, topping farming incomes to maintain production in disadvantaged areas.

National aid includes:

- **funds to co-finance EU programmes** for grants to young farmers, agri-environmental measures and farm modernization.
- **purely national support** in the form of low-interest loans, aid within the framework of contracts between central government and regions, aid for farmer groups, support for quality in mountain areas, aid for collective investment, aid for new livestock farms, aid for the conversion of vineyards, etc.

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# Ambition for farming, freedom for farmers

*"I have seen in my time hundreds of ploughmen wiser and happier than university rectors,"* Montaigne wrote in his time. Perhaps he would not say the same today, however, with French agriculture caught up in an unprecedented wave of unease. New evidence of this came with the massive rejection of the EU constitutional treaty by rural constituencies in the referendum on May 29, 2005.

What are the ways to put an end to the deepening gloom and offer farmers the hopes and opportunities needed to restore their faith in the future? Despite the constraints of European and international agreements, is it possible to develop an economically viable model for French agriculture that is better attuned to modern society and that, above all, embodies the ambition essential to renewed pride in the business of farming? In this report, Institut Montaigne's Agriculture working group has endeavoured to answer these questions without prejudice through concrete and practical proposals.