

**The Common Agricultural Policy
of the European Union –
the present and the future**

**EU Member States
point of view**



INSTITUTE OF AGRICULTURAL
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The Common Agricultural Policy of the European Union – the present and the future

EU Member States point of view

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CHALLENGES, CHANCES, THREATS, PROPOSALS**

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16. The CAP implementation in Wallonia – today performance and questions for the future – A brief supplementary comment from Warmia and Mazury perspective

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Abstract

The new Common Agricultural Policy was defined in 2013, with a stronger emphasis on the environment and the introduction of the “green payment”, as well as a clear support for organic farming. This paper examines how the green payment was implemented for the first time in Wallonia (South of Belgium, one of the founders of the European Union) and shows the situation in both Wallonia and the Warmia and Mazury voivodeship in Poland, a new EU Member State. It appears that agriculture in both regions is on the way towards a more sustainable development model, though the future is more uncertain than ever.

Keywords: CAP, organic farming, green payment, Wallonia, Warmia and Mazury,

JEL codees: Q18, Q50, Q58, Q14

16.1. Introduction

Sustainability is a challenge for the European agriculture: better solutions must be implemented in order to develop economic activities and create jobs while respecting the natural resources [Cvik and MacGregor Pelikanova, 2015]. The current version of the Common Agricultural Policy, decided in 2013 and implemented since 2015, is the result of three years of difficult negotiations [Bureau, 2012]. One of its most important features is that it goes further than ever in favour of the environment [Matthews, 2013]. The so-called green payment, which must account for 30% of all direct payments in every EU Member State was established [Hart, 2015], proving that the relation between agriculture and environment is becoming a priority in the EU and international policies [Brezuleanu et al., 2013; Gazquez-Abad et al., 2011]. In addition, the CAP is also supporting organic farming, which is now considered as a trustable opportunity for a more sustainable development model all over the world [Dufumier, 2012; Petrescu et al., 2015] and is also more and more popular among consumers

[Petrescu et al., 2014] because they think that organic products can preserve their health and the environment [Petrescu and Petrescu-Mag, 2015] or have better sensory attributes [Bryła, 2016; Tobler et al., 2011].

Organic farming must be now considered in a broader context than agriculture itself: it also takes into account rural development, the environment and the society. Organic farming appeared in Wallonia in the 1980s [Burny and Gellens, 1988] and the first European legislation concerning organic farming was published in 1991, just one year before the MacSharry's reform of the CAP.

In such a rapidly and deeply changing context, the paper will examine the results of the implementation of the green payment in Wallonia and also the evolution of organic farming in this Southern region of Belgium, on the one hand, and the situation of organic farming in Warmia and Mazury, a province of a new EU Member State, Poland, on the other. Finally, some considerations regarding the future are presented.

16.2. Implementation of the green payment in Wallonia in 2015

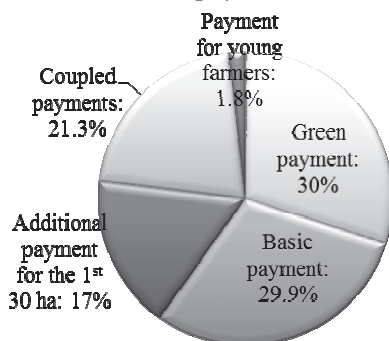
The difficult political agreement, which was finally reached in June 2013, led to four legal texts including the Regulation (EU) No. 1307/2013 of December 17, 2013, dealing more specifically with direct payments to farmers [Burny and Terrones Gavira, 2016]. A new architecture for direct payments was defined, leaving important decisions (some measures are optional and the relative importance of each of them can vary) to the Member States or the regions within them [Hart, 2015]. There is, however, one exception: the green payment, which has to account for 30% of the national/regional envelope for direct payments in each Member State/region. This is compulsory. Indeed, the green payment is considered as very important measure for the environment and the fight against climatic change.

In Wallonia, the new structure of the direct payments [Arrêté du Gouvernement wallon du 12 février 2015; Arrêté ministériel du 23 avril 2015], after notification to the Commission and its approval, especially about coupled payments (whose percentage in the total amount for direct payments is higher than the normally authorized one and needed a special approval by the Commission, but respecting the new regulation), is presented in Figure 1.

How to grant the green payment was the decision of the Member States/regions: either proportionally to the basic payment, or in the same amount for each eligible hectare. The Walloon government chose the first option, in order to avoid too rough changes for some farmers compared to the previous period of 2007-2013.

In addition, every year before August 1st, and for implementation the following year, each Member State/region can inform the Commission that the implementation ways of the greening will be changed.

Figure 1. New architecture of direct payments in Wallonia (2015-2020)



Source: Burny and Terrones Gavira [2015].

More specifically, the green payment is linked to three conditions (Article 43 of Regulation (EU) No. 1307/2013):

- Maintenance of permanent pastures,
- Crop diversification,
- Presence of an ecological focus area.

It is worth to note that organic farmers automatically get the green payment without any additional constraints and so they do not have to respect the three of the above-mentioned conditions.

Maintenance of permanent pastures

Permanent pastures are grassland since at least five years.

The reference year being 2015, each Member State/region establishes the reference ratio as the area of permanent pastures divided by the total agricultural area, at the national/regional or farmer's level. Wallonia chose the regional level.

In the future, the reference ratio cannot decrease by more than 5%.

The Member State/region must also define the permanent pastures which are considered as environmentally fragile. These areas cannot be ploughed or transformed for another purpose (Article 45).

In Wallonia, these permanent pastures are all situated in the Natura 2000 site.

Crop diversification

In order to get the green payment, farmers have to practice crop diversification if:

- They have between 10 and 30 ha of arable land: in such a case, they must have at least two crops, the most important not exceeding 75% of the area of arable land;
- They have more than 30 ha of arable land: in such a case, they must have at least three crops, the most important covering no more than 75% of the arable land area, and the two most important no more than 95%.

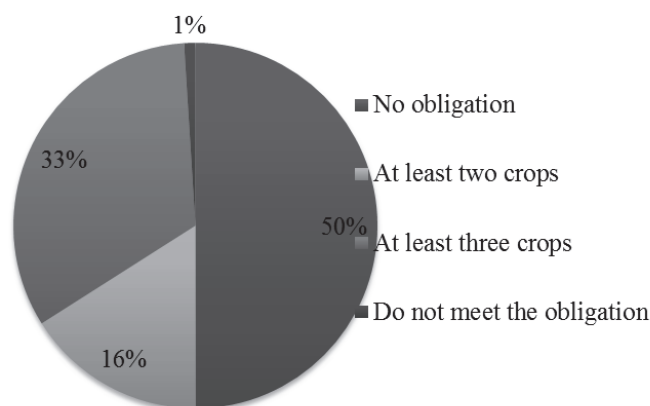
The following can be considered as “crops”: land lying fallow, temporary pastures, one gender considered in the botanical classification (*Triticum*, *Hordeum*, *Beta*,...) or one species for Brassicaceae, Solanaceae and Cucurbitaceae.

No diversification is requested in the following cases:

- The farmer has less than 10 ha of arable land;
- More than 75% of the arable land are devoted to the production of grass (temporary pastures) or fallow and, at the same time, the remaining arable land area does not exceed 30 ha;
- More than 75% of the total agricultural area of the farm are devoted to permanent pastures or the production of grass and, at the same time, the remaining arable land area does not exceed 30 ha.

According to the area declaration of farmers for 2015, in Wallonia 50% of the farmers were not submitted to crop diversification, while 16% were obliged to have at least two crops on their arable land and 33% had the strongest obligation: to have at least three crops on their arable land. Around 100 farms (less than 1%) failed to meet the criteria (Figure 2).

Figure 2. Number of farms to which applies crop diversification in Wallonia in 2015



Source: Terrones Gavira, Burny and Lebailly [2016].

The ecological focus area

According to Article 46 of Regulation (EU) No 1307/2013, farmers must devote at least 5% of their arable land to ecological focus areas when they have more than 15 ha of arable land.

The Member States/regions can choose which are ecological focus areas from the following list (Commission Delegated Regulation (EU) No. 639/2014):

- land lying fallow;
- terraces;
- landscape features, including such features adjacent to the arable land of the holding;
- buffer strips;
- hectares of agro-forestry;
- strips of eligible hectares along forest edges;
- afforested areas;
- areas with catch crops, or green cover (subject to the application of weighting factors);
- areas with nitrogen-fixing crops.

In Wallonia, all the above-mentioned points are considered as ecological focus areas, with the exception of terraces and afforested areas.

Some elements are directly converted into ecological focus areas, but others, like isolated trees for example, need a conversion coefficient to be considered as an ecological focus area (Table 1).

According to Table 1, it means, for example, that an isolated tree cover with an area of 20 m² on average has an influence on $20 \times 1.5 = 30 \text{ m}^2$ (protection against winds, shadow, etc.).

In Wallonia in 2015, 54% of the farmers were not obliged to have ecological focus areas (they have less than 15 ha of arable land, these were organic farmers).

Among the remaining 5828 farmers, 47% devoted between 5 and 6% of their arable land to ecological focus areas, 21% had between 6 and 7% and 29% had more than 7%. A small number of farmers (2.4%) did not reach the minimum 5%.

The mean of ecological focus areas reached 6.9%, and the median was at 6%.

When farmers had at least 5% of ecological focus areas, it is observed that 79% of them declared only one element, mainly catch crops or green cover (95% of the cases) and 15% had only two elements.

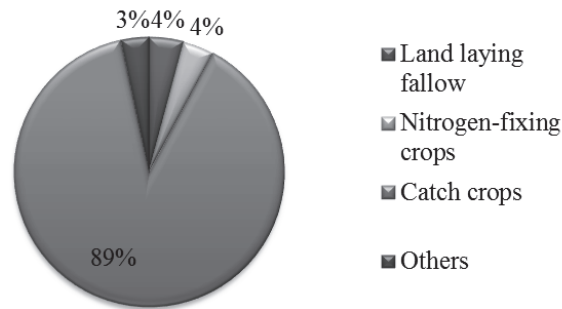
As far as the area was concerned (Figure 3), catch crops or green cover represented an overwhelming share of 88.8% of the total ecological focus area in Wallonia. Far behind, came land lying fallow (4.1%) and nitrogen-fixing crops (3.7%). The landscape features were marginal and represented only 2.1%.

Table 1. Conversion coefficients and weighting factors to transform some areas and landscape features into ecological focus areas

Element	Particularity	Description		Conversion coefficient	Weighting factors	Ecological focus area (m ²)
Surface elements (ha)	Plot	Land lying fallow	per 1 m ²	n/a	1	1
		Areas with short rotation coppice	per 1 m ²	n/a	0.3	0.3
		Areas with nitrogen-fixing crops	per 1 m ²	n/a	0.7	0.7
		Buffer strips	per 1 m ²	n/a	1.5	1.5
		Strings of eligible hectares along forest edges – without production	per 1 m ²	n/a	1.5	1.5
	Intercrop plot	Areas with catch crops or green cover	per 1 m ²	n/a	0.3	0.3
	Topographic elements	Ponds	per 1 m ²	n/a	1.5	1.5
		Group of trees/field copses	per 1 m ²	n/a	1.5	1.5
		Field margin	per 1 m	6	1.5	9
		Ditches	per 1 m	3	2	6
		Hedges/wooded strips	per 1 m	5	2	10
Linear elements (m)	Topographic elements					
Punctual (nb)		Isolated tree	per tree	20	1.5	30

Source: Terrones Gavira et al. [2016].

Figure 3. Area of the different types of ecological focus areas in Wallonia in 2015



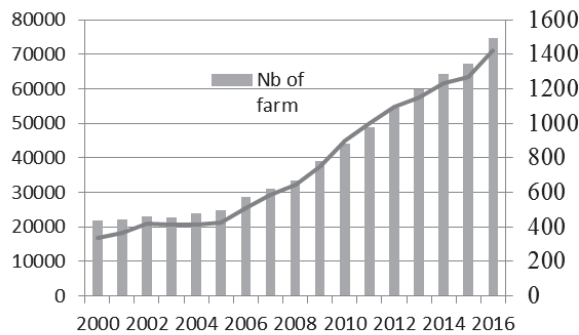
Source: Terrones Gavira, Burny and Lebailly [2016].

16.3. Organic farming in Wallonia

Evolution of the number of organic farms and of the organic agricultural area

The evolution of the number of organic farms and of the corresponding area is illustrated in Figure 4. The evolution was rather slow during the first years of the 21st century; however, an acceleration is clearly observed since 2005, with a continuous positive trend. In 2016, the total number of organic farms reached 1493 (+146 compared to 2015) and the corresponding agricultural area reached 71 289 ha (+12.4 % compared to 2015), representing, respectively, 12% of the total number of farmers and 10% of the total agricultural area.

Figure 4. Evolution of the number of organic farms and organic farming area in Wallonia from 2000 to 2016



Source Biowallonie [2017].

Public support

This success is partially due to the strong public support which is granted to organic farming. In 2016, organic farming was clearly defined as a tool within the “Walloon strategy for sustainable development”, while in 2013 was launched the “Walloon strategic plan for the development of organic farming towards 2020” [Comase and Di Antonio, 2013].

Within the CAP and its second pillar, rural development, the financial support granted to organic farming is presented in Table 2.

The support is additional to direct payments and is even higher for farmers in transition from conventional to organic methods.

Table 2. Financial support (EUR/ha) for organic farming in Wallonia (2015-2020)

Crops	Area of organic farming		
	0 to 60 ha		over 60 ha
Meadows and forage crops	200		120
Other annual crops	400		240
	0 to 3 ha	3 to 14 ha	over 14 ha
Fruit trees, horticulture and seed production	900	750	400

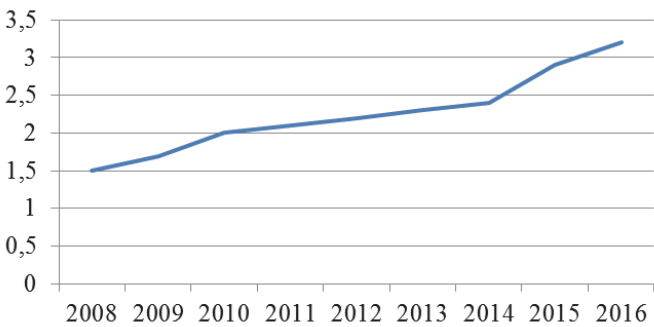
Source of the basic data: Service public de Wallonie [2015].

Evolution of the consumption of organic products

Market share of organic products in the Belgian food market

The market share of organic products in the Belgian food market continuously increased between 2008 and 2016, from 1.5 to 3.2% (Figure 5).

Figure 5. Evolution of the market share of organic products in the Belgian food market (%)



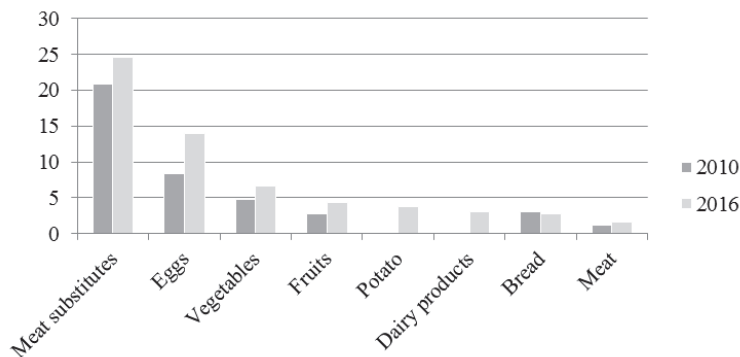
Source of basic data: Biowallonie [2017].

Organic food products, though more expensive than conventional products, are more and more popular; this phenomenon even accelerated during the last two years. In the future, this share could continue to increase as it reached 8.4% in Denmark in 2015 (the highest in Europe) or 7.7% in Switzerland and 4.8% in Germany [Biowallonie, 2017]. So, the target of 3.0% in 2020 defined in the Walloon development plan for organic farming has already been reached.

The market share of organic products is very variable according to the type of products (Figure 6). However, it increased for all products with the exception of bread [Burny, 2017].

As prices are very different from one product to another, the position of one product regarding the market share can be different from the position regarding expenses *per capita*. The highest market shares are observed for meat substitutes (a product which is not popular) and eggs (a cheap product), before vegetables and fruit, which are well known organic products. The market share for dairy products reached 3.0% while the expenses for dairy products are the highest, the prices per unit being higher than for other food products. Globally, the share of vegetal products is higher in the organic food market than in the conventional one.

Figure 6. Market share of organic products in 2010 and 2016 (%)



Source of basic data: Biowallonie [2017].

Compared to the situation of 2010, it appears that the market shares significantly increased, with the exception of bread. For dairy products, data are available for 2014, 2015 and 2016, showing an important increase: 2.1% in 2014, 2.7% in 2015 and 3.0% in 2016. For potato, no trend could be observed during the period between 2013 and 2016. So, it is clear that vegetables, fruit and dairy products show a strong and continuous positive trend in their demand.

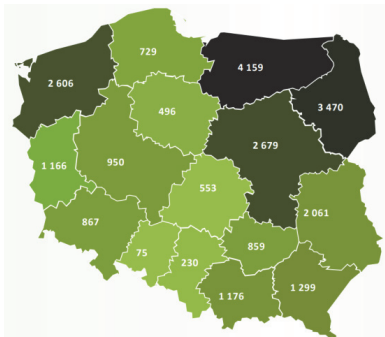
16.4. Organic farming in Warmia and Mazury

Region of Warmia and Mazury, placed in North-Eastern Poland, occupies the top place in the country by territory, but it is relatively low as the population is concerned. It is mainly due to peculiarities of the natural conditions: large percentage of forests and grassland, numerous lakes (“one thousand lakes” country – as a matter of fact it is more than double of that) and other factors, including climate, soils and terrain relief.

The region is well-known for its remarkable recreation of properties, but while social and economic conditions are concerned, the overall picture is not encouraging. High unemployment rate, lower GDP/capita or average incomes are a few of many indicators confirming that this area belongs to the least developed in Poland and even one of the less developed regions on the EU scale.

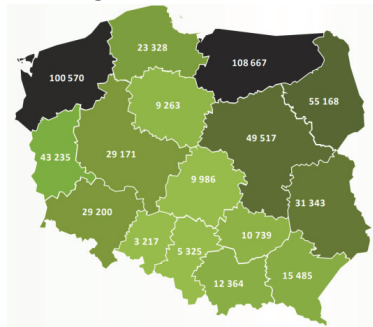
Turning to agriculture, natural conditions, lower population density and the heritage of the past (ca. 50% of agricultural land belonging to the state farm sector, more than double of the national average) results in differences in farm structure – the average farm is more than two-fold larger than the country average.

Figure 7. Number of organic producers in Poland in 2016



Source: IJHARS [2017].

Figure 8. Areage of organically cultivated agricultural land in 2016 (ha)



Source: IJHARS [2017].

As can be seen from the Figures 7 and 8, the voivodeship occupies the leading place in the country both as regards the number of organic producers and the area of agricultural land under organic farming. This position is confirmed by steady increase in the share of organic producers in the total number for Poland: from 7.05% in 2007 to 14.84% in 2016, more than two-fold growth during the period of only 9 years. Similar picture can be observed while taking into account the share of organically cultivated land in the province in the total country acreage of organically cultivated land – during the same period of 9 years, 2007 vs 2016 one can observe the increase from 5.35 to 10.28 %, respectively.

More careful insight, critical examination of the statistical data at the farm gate level and offices of different institutions involved leads to defining some problems making such an overall optimistic picture more complex and less optimistic:

- Large scale of the organic farming practices in Warmia and Mazury voivodeship is not entirely due to the large territory of the region and its specific environmental conditions. Some decline of an acreage of organically cultivated land, observed in recent years (2014 and 2015) calls, therefore, for an explanation.

In the region, there are some landowners from far away, who just own land and are rather not interested in agricultural production at all. They focus mainly on “harvesting” money from the EU budget. Examples:

(i) walnut, or other sophisticated plants cultivation – just to fill required data into the application form to get subsidies – with production even at null level!;

(ii) grassland – cut but no grass being used as an animal feed.

Such dishonest practices are now remarkably reduced because of an introduction of more effective control measures, like present requirement to keep some farm animals. Nevertheless, some are capable to continue their practice because of 5-year long period of former declarations.

- Under the new 2015package, forage plants introduction resulted in reduced level of payments for farmers of concern, in some cases even to ca. 60%.
- There are some 18 different payment options for organic farmers. Too many, making the overall picture complex and too difficult for an average farmer to comprehend and follow. Simplification of the CAP procedures is one of the declared objectives of ongoing adjustments but just opposite is often seen from the farmer’s perspective.
- Organic farmers are susceptible to crop failures due to different agents: droughts, water-logging or pest invasion – no effective compensation measures are available.
- It is difficult to meet some criteria related to animal breeding. Procedures related to the purchase of new animals last too long.
- Organic raw materials and marketing of manufactured goods are a severe bottleneck. Large amounts of farm output are sold as unprocessed commodity. Customer, arriving to – say – the “Lidl” market in Olsztyn, could meet rather German organic products on the shelves. In some cases, raw materials (like cereals) are sold to Germany and – after manufacturing – sent back to Poland.

16.5. Questions for the future

The proceeding lines proved that things are changing more and more quickly. For agriculture in general, the future is more and more uncertain and the farming business is more and more risky. This is due in particular to price volatility, which makes income impossible to predict, organic farming included.

A very important topic is the future of direct payments, partially linked to the CAP budget. What about their future distribution among and within the Member States? Will they take into account the labour force? Will the coupled payments remain or be suppressed? Will the payments for the first hectares increase, as 20% of the beneficiaries still get 80% of the total amount of direct payments?

The role of farmers' associations will probably be reinforced within the value chain, allowing the farmers to keep a better share of the added value, in a food market where processed products are very important. However, the processing industry and the supermarkets are also becoming larger, so that the negotiating position of the producers is not always favourable, especially in a period of overproduction.

However, a contradictory trend is the phenomenon of direct sales and local consumption. Circular economy is also up-to-date. But what will be their success? Surely there is a specific niche for these initiatives, but to which extent? It is also the question for specific quality products. There is a market for these products, but it does not represent the bulk of production. It is the case for organic farming. It has a role to play, but can we imagine that the whole agricultural production would come from organic farming?

In a world of an always tougher competition, the classic production cost reduction will surely remain very important. In this context, is it wise to invest more or, on the contrary, to invest less in order to avoid a too heavy indebtedness? The public investment support policy should be more careful, not leading farmers to invest too much and be too indebted when farm income is so variable and unpredictable.

In a period of so many uncertainties, what about family farms? Will they survive, or will the farming activity be taken over by capitalistic large companies, so threatening our European farming model?

All these questions are open, and the answers will be given by the citizens' will.

16.6. Summary and conclusions

The implementation of the new CAP in Wallonia has been successful and stressed the role of the environment through the green payment, ecological focus areas and organic farming. As it is also the case in Warmia and Mazury, organic

farming presents today a significant share of the total number of farmers and of the total agricultural area. It so appears clearly that European agriculture, through these examples, is going towards a more sustainable development model. However, several problems and questions are still ahead. It is obvious that this positive evolution is significantly due to a strong public support and not only to the food market orientation or to the conviction of all farmers. The question of the prices paid by consumers is still open as a non-negligible share of the European population is rather poor and could not afford higher food prices. Anyway, the future is more uncertain than ever and there is a strong need for an agricultural policy with clear objectives supported by the EU citizens and provided with sufficient means to reach them.

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