



policies that work

for sustainable
agriculture and
regenerating
rural economies

The other side of the mountain

The impact of
Europe's
Common
Agricultural
Policy on
sustainable
agriculture in
the South



Iain Farquhar
September 1999

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Common Agricultural Policy
on sustainable agriculture
in the South

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A background paper for:

**Policies that work for sustainable agriculture
and regenerating rural economies**

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Bookshop, International Institute for Environment and Development
3 Endsleigh Street, London WC1H 0DD, UK

Tel: +44 171 388 2117 Fax: +44 171 388 2826

e-mail: bookshop@iied.org

Contact the author:

Iain Farquhar

The Old Cottage,

Back Lane

Scoulton

Norwich, NR9 4AQ

email: i_farquhar@hotmail.com

Contact IIED: Sustainable Agriculture
and Rural Livelihoods Programme

IIED, 3 Endsleigh Street,

London WC1H 0DD, UK

Tel: +44 171 388 2117

Fax: +44 171 388 2826

email: sustag@iied.org

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Policies that work for sustainable agriculture and
regenerating rural economies series

There are enough examples world-wide to suggest that agriculture
which is pro-sustainability and pro-people is working. We now
understand the concept of 'sustainable' agriculture is not confined
within the farm boundary, but has strong links (and a potential to be a
dynamic force within) a wider rural economy. So, 'sustainable
agriculture' not only contributes to greater agricultural production, but
also environmental regeneration and local economic development.

IIED's Sustainable Agriculture and Rural Livelihoods Programme has
undertaken collaborative research to look at, 'Policies that work for
sustainable agriculture and regenerating rural economies'. The overall
objective of this research is to understand the policy contexts and
instruments that can promote sustainable agriculture and social change.
This has been done in high, medium and low income countries in both
the South and the North. 'Success stories' have been identified and the
policy environment that has permitted these to emerge has been
investigated. Are there lessons we can learn from these 'islands of
'islands of sustainability' that will help us turn islands into continents?

This paper is part of a series, which provide the contextual and
conceptual background to this programme of research. The views
expressed here are those of the author and do not necessarily reflect
those of IIED or DFID.

Abstract

The aim of this paper is to try to throw light on how the Common Agricultural Policy (CAP) of the European Union (formerly the European Economic Community) has affected sustainable agriculture in Southern ('developing') countries.

It begins by taking a brief look at the CAP, outlining what its rationale is, how it works and what it has achieved so far. It then examines ideas of sustainable agriculture, as employed in the 'Policies that Work for Sustainable Agriculture and Regenerating Rural Economies' (PTW) research programme and discusses the methodological approach adopted for this paper.

The paper then goes on to examine two sectors of agricultural production (beef and bananas), illustrated by case studies of actual or potential sustainable production systems in the South which have been influenced by the CAP.

This is followed by a brief review of recent and pending reforms to the CAP and some comments on the policy implications of the above.

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Background

The CAP

The Common Agricultural Policy (CAP) was conceived in 1957 when six nations – Germany, France, Italy, Holland, Belgium and Luxembourg signed the Treaty of Rome. Article 38 of this treaty laid out the five major objectives for the policy. These were to:

- increase agricultural productivity
- ensure a quality of life for the agricultural population which was comparable to that of the urban population
- stabilise agricultural markets
- guarantee food security for the six member states
- keep consumer prices at affordable levels (Brun *et al.*, 1995)

The intention was to turn European agriculture – which in many areas was still carried out by traditional peasant farmers, cultivating only a few hectares and often using animal traction – into a modern agriculture. This would involve much larger holdings, which would use machinery rather than labour. It would take advantage of scientific advances, both in terms of new higher yielding plant varieties and animal breeds and in terms of greater use of agrochemicals. These would fertilise the new varieties and provide more reliable methods of crop protection. Inducements were offered to farmers to retire from farming so that the size of holdings could increase, while guaranteed and stable prices were offered for farm products, so that farmers could invest in more land, machinery and buildings, safe in the knowledge that they would be able to service the loans they took on.

Two of the main mechanisms used by the CAP to achieve these objectives are described in Boxes 1 and 2.

Box 1 CMOs

Guaranteed prices were introduced in the Sixties, delivered by mechanisms called Common Market Organisations (CMOs). Under these a guaranteed price was set for products and member states intervened in the market by buying surpluses or selling from stocks in order to ensure market stability. At the same time variable levies were introduced on imports so that internal prices were not lowered by cheap imports. Surpluses were disposed of on world markets through the payment of export subsidies.

Initially these functions were the responsibility of individual national governments. In 1968 prices were harmonised throughout the six member states and in 1972 the responsibility for managing the system was transferred from national authorities to a new body, the EAGGF (the European Agricultural Guarantee and Guidance Fund) (Lerin, 1996).

Box 2 Quotas

Guaranteed prices led to overproduction in many sectors in the 1970s. In some of these (e.g. sugar, beef and milk) quotas were introduced in the 1980s in order to curb production.

A series of enlargements of the European Economic Community (EEC) led to the current European Union (EU) membership of 15 European countries, scheduled to expand in the near future to include a number of the Central and Eastern European countries which were formerly part of the Soviet bloc.

The CAP has been heavily criticised from many quarters. However in terms of its original remit, it was a remarkable success. Arguably all the objectives of the Treaty of Rome were realised:

- the size of holdings increased
- the number of people employed in agriculture reduced significantly
- yields rose over the same period (Box 3), increasing incomes
- overall production increased even more quickly
- The EEC became self-sufficient in food (Brun *et al.*, 1995)

Box 3 Yield increases

Among the six original member states, yields per hectare nearly doubled between 1970 and 1990 (in Germany, France, Holland and Belgium). In Italy and Luxembourg, they increased by around 50%. To a large extent this was because of the introduction of new cereal varieties (Brun *et al.*, 1995).

At the same time the CAP encouraged specialisation. Mixed farming began to decline markedly and European farming became zoned, enabling farmers to make use of the comparative advantages offered by landscape, climate and soil.

Changes in the shape of Europe's agriculture were finally only possible by virtue of other wider, social structural changes, which were all part of the CAP vision. Alongside the organisation of guaranteed markets for products, which became the province of the EAGGF, a second mechanism, known as the structural funds, was put in place. The structural funds allowed a broader integration of Europe, providing financial support for the modernisation of ports and the provision of a network of multilane highways across Europe.

Gone or almost gone were rural poverty, low yields, back breaking labour. Here to stay were much more wealthy farmers, equipped with up to date machinery, supplying massive, efficient food processing and distribution enterprises, which got affordable food to the increasingly urban population of Europe. In the process, the European Community had been transformed from being a major net importer to being an exporter of food.

However the CAP also generated serious problems within the EU itself (Box 4) and beyond.

The growing surpluses being created had to be stocked (which was also expensive) and ultimately disposed of on the world market. Surpluses were being sold on world markets which were sometimes already oversupplied, meaning that prices obtained were well below the guaranteed prices paid within Europe to the producers. In other words, the surpluses were being disposed of at a massive loss, adding to the cost of the CAP.

Not only was this bad for the European Union itself but it was also having negative impacts on producers in other countries as world market prices for many countries declined¹

Box 4 The downside

1. Increasing reliance on fossil fuels in agriculture, both for running machinery and as raw materials for the agrochemical industries was unsustainable.
2. Specialisation and reliance on lengthy distribution systems meant more consumption of irreplaceable fossil fuels and considerable air pollution.
3. Widespread use of pesticides and herbicides was impacting heavily on ecosystems and threatening drinking water supplies.
4. Manure and other effluent from livestock units were also posing a threat to ecosystems, particularly waterways.
5. Use of antibiotics in animals and agrochemical residues in arable crops appeared to be detrimental to the health of consumers.
6. As agriculture shed labour, many rural areas were going into decline.
7. The CAP budget was spiralling out of control as until the mid- to late Eighties, guaranteed prices encouraged farmers to increase production to the limit (Clunies-Ross and Hildyard, 1992).

Sustainable agriculture

The notion of sustainability came into vogue after the publication of the UN's Brundtland Report ('Our Common Future') in 1987. The basic thesis of this report was that global resources were running out, that the expansion of industrial and military complexes were accelerating this trend and that future generations would be impoverished if development patterns did not change. The concept of sustainable development called for current global needs to be met, without jeopardising the capacity for future generations to meet their needs. Crucial to this concept were an emphasis on reduction of waste (by such policies as recycling) and a greater emphasis on resource conservation through the development of more efficient technologies. Central also was the observation that impoverished and marginalised people tended to contribute to environmental destruction by, for example, turning to 'slash and burn' agriculture in short term bids for survival. The report acknowledged therefore the need to include and reintegrate the poor and marginalised. The necessary changes could not be achieved by imposing policies from above but needed rather to be based on widespread consultation and co-operation by all stakeholders in 'Our Common Future', both rich and poor.

Out of this conceptual starting point, the process of organising for the Rio Earth Summit, held in June 1992, emerged. The lead up to Rio via a series of preparatory conferences and a host of public consultations which fed in to them, brought together three major constituencies to focus on a global strategy for achieving sustainability. This process was finalised in the Agenda 21 plan, signed by 179 heads of government at Rio (Agenda 21, 1992). These constituencies were governments, businesses and non-governmental organisations (or Peoples' Organisations). The Rio process popularised the notion of sustainable development and there was almost unanimous agreement that sustainability had to be at the centre of future policy.

Since the concept of sustainable agriculture first appeared however, definitions of it have proliferated. As one commentator puts it: "Sustainability itself is a complex and contested concept. In any discussions of sustainability, it is important to clarify what it is [that is being] sustained, for how long, for whose benefit, over what area and measured by what criteria. Answering these questions is difficult, as it means assessing and trading off values and beliefs." (Pretty, 1995)

In this paper, the definition developed by IIED as part of its 'Policies that work for Sustainable Agriculture' (PTW)² research will be used (see Box 5). This definition goes beyond technical questions and resource management issues.

As the workshop report puts it (IIED, 1998): "For many, the term 'sustainable agriculture' is closely related to specific technologies. However, for our purpose it is much more than that. A key element of the PTW research is to move beyond mere technological considerations and examine the social and economic aspects of agriculture".

One of the advantages of the definition in Box 5 is that it allows the issues mentioned above, as regards what is being sustained, for whose benefit, etc., to be included in the analysis.

It allows for the possibility, for example, that a Central American

Box 5 Towards a working definition of 'Sustainable Agriculture'

- Sustainable Agriculture incorporates biological processes such as nutrient cycling and pest-predator relationships
- Optimises the use of external and non-renewable inputs
- Encourages full participation of producers and consumers in problem solving and innovation
- Ensures more equitable access to entitlements
- Makes full use of local knowledge
- Diversifies the production system
- Increases self-reliance
- Has strong links to the local economy (IIED, 1998).

organic banana plantation might be regarded as unsustainable, if it paid its workers less than subsistence wages. Although an organic plantation might be considerably better for the environment and for the local community than a high input plantation, if it brought very little benefit to the local community, it could still be seen as unsustainable using this definition if, for example, it failed on every count except the first two.

The disadvantage with the definition, however, is that it becomes difficult to know how to trade off its various, sometimes competing, components. Which is the more sustainable: a diversified, thriving, local economy (possibly including cash crops, with consequent chemical inputs but increased income opportunities); or a low input, resource conserving plantation, using only migrant labour (as the only group willing to work for barely subsistence wages)?

In a nutshell, the inclusion of social and economic aspects of agriculture, along with resource considerations, seems unavoidable and yet sets methodological limits to the kinds of analyses which can be undertaken.

A note on methodology

The multi-dimensional nature of sustainable agriculture, as described in this work, means that it is very difficult to say whether a production system is sustainable or not. On the other hand, as Pretty (1995) put it,

it is still “possible to say whether certain trends are steady, going up or down”, citing the example of changes in rates of soil erosion. In other words, it is easy to say that some systems are more sustainable than others in some respects, and it is possible to observe progress towards increasing sustainability, but it is more difficult to say whether a particular system is sustainable or not in any absolute sense. Given the multiplicity of individual farm holdings and the multifaceted nature of the sustainable agriculture concept, it is difficult to assess the impacts of individual policies on these systems, using conventional statistical approaches.

The Policies that Work research, which this paper is a background document to, has therefore come at the problem from a different angle. Rather than identifying absolute cases of sustainable agriculture, it starts by identifying ‘islands of sustainability’ – initiatives which stand out in their regions or countries as being more sustainable than most of the agriculture around them. The hope is that by seeing what aspects of local, regional or national policy have supported the success of these initiatives, it should be possible to understand ‘policies that work’ and use this understanding to feed into future policy making decisions.

Unfortunately there are difficulties in applying exactly this approach for a policy like the CAP, because:

- a. The CAP is a very blunt instrument which impacts economically on both sustainable and unsustainable systems, often in similar ways
- b. It is only one of a number of macro-economic factors which impact on agricultural systems and it is not always possible to disentangle what can be attributed to the CAP rather than to general trends towards modernisation, or other more specific factors like Structural Adjustment Programmes
- c. The CAP’s impact on southern countries is almost exclusively through international trade. In as much as the CAP involves and facilitates such trade, it is difficult for it to appear as anything other than a policy which discourages sustainable agriculture as defined in Box 5 above.

By the Eighties, the EU had become the second largest exporter of all agricultural and food products, exceeded only by the US. However at the same time, with 21% of world imports, it also ranked as the world's first importer (Lerin, 1996). As a major importer and exporter of food to and from developing countries, the EU has had a major impact on them.

The development of industrial scale agricultural systems in the EU and the scale of associated trading operations has generated a massive demand, which is most easily met by similar economies of scale from among its trading partners. For the world's major traders, the ideal supplier is not a co-operative of small farmers, however much they may satisfy the social and economic criteria of the PTW definition. Rather, the ideal image is a well-managed monoculture, probably using fairly high levels of agrochemical crop protection, ensuring uniformity of the final product – in short, an 'island of technical control', preferably insulated from local economies and local social and political realities. The plantation, rather than local networks of small independent producers, is intrinsically preferable as a partner in trade for big operators. Industrial styles of agriculture, food processing and retailing in the EU, by their very existence, tend to stimulate southern producers to adopt similar patterns of development, if they are to reap the financial rewards which are potentially available from trade.

Following the lead of PTW, the approach here will be to use case studies to try to see how the influence of the CAP on two production sectors has impacted on the sustainability of a number of individual actual or potential production systems, which appeared relatively sustainable compared to their competitors. As a consequence of the CAP's historical promotion of high productivity and scale, it largely appears as a 'Policy that *doesn't* Work', when seen in terms of the working definition used in the country studies. However, at the end of this paper we shall see that it could have the potential to become a 'Policy that Works' in the future.

The beef with beef

Overview

The beef sector illustrates well the way in which unsustainable policies within the EU have stimulated unsustainable practices among its trading partners in the South.

This sector of the CAP has affected sustainability in the South in at least three ways, by:

- encouraging some developing country regions to abandon traditional mixed systems geared to local markets, and to specialise as exporters of feed to the EU's protected intensive livestock industry
- protecting intensive producers in the EU it has undermined the market position of traditional beef suppliers, whose extensive production systems are based on natural grasslands
- subsidising the production of too much beef it has dumped surpluses on other markets, thereby lowering local prices and threatening the survival of traditional pastoralists.

To understand how these impacts have been generated, it is necessary to look at how the CAP works in the beef sector and what effects it has had on the shape of EU agriculture itself. The basic working of the CMO is described in Box 6 (for a general description of CMOs see Box 1).

The intention of the beef regime, as with most of the fundamental CAP mechanisms, was to keep prices stable and high enough to encourage farmers to invest in capital (such as buildings and feed delivery systems) so they could modernise, increase production and achieve food security for member states. In principle, this could have been done by retaining mixed farms and traditional pastures, but in practice another element of policy was to have a strong influence on the outcome.

BOX 6 The CMO for beef

As with most other commodities beef production is heavily subsidised in the EU. The most important mechanism for supporting beef production is the intervention price. The Council of Ministers for Agriculture agree a minimum price. If prices in the internal market fall below a certain percentage of this price, then surplus beef is 'bought into intervention' and stocked. In order to protect the price, up until 1992, importers were charged a compensatory levy if the price of the beef they were trying to import was below the intervention price. After the 1992 reform following the new GATT agreement, the EU had to replace these levies with supplementary tariffs. In 1992 beef production received 13.7% of the total EAGGF budget and of this half was spent on stocking, a direct result of over-production (Brun, 1995).

During the Kennedy Round of the GATT (General Agreement on Tariffs and Trade), 1964-67, under pressure from the US and its considerable soy bean interests, the EEC, as it then was, agreed to remove barriers to imports of animal feeds. This was to have consequences for the way European agriculture developed (Guiheneuf, 1996).

The availability of cheap imported feeds, combined with high internal prices for meat, favoured the development of intensive animal units, located near to the ports, particularly around the English Channel. With the advantages of modern buildings and other facilities, cheap feeds and high levels of constraint over livestock movements, such intensive units made a considerable proportion of Europe's traditional pastureland uncompetitive, particularly as intervention prices became adjusted to ensure the viability of intensive production, rather than to address the needs of extensive producers.

Partly as a result of the way prices were set and partly as a result of the deliberate encouragement of specialisation, following the introduction of the CAP, mixed farming declined in much of Europe. On mixed farms, manure tends to be automatically recycled as an important free source of nitrogen and this, at a stroke, both disposes of the manure and reduces the need to buy in inputs. Regional specialisation of European agriculture has left arable areas without adequate access to manure, while areas of intensive livestock production face severe pollution problems, from the build up of manure and slurry, a problem which has

been particularly acute in The Netherlands and parts of northern France.

To try to counteract the destruction of traditional livestock communities, which were rapidly becoming depopulated, the EU also introduced a number of premiums aimed at giving additional support for production in more marginal areas. One of these, the suckler premium is aimed at supporting extensive production by, for example, UK hill farmers who without these additional supports could not compete with the intensive producers. The intention of this policy, which is supplementary to the intervention system, is to keep alive rural communities in less favoured areas which graze cattle in traditional (arguably more environmentally and socially sustainable) ways.

The pattern within Europe has been reflected in different ways in different parts of the South. CAP support for production has encouraged intensive livestock to develop within the EU and in the process it has generated a demand for industrial systems of feed production to develop in the South. In one region, the Cerrado of Brazil, a local economy involving a mix of traditional rangeland, forest and small farms was replaced by a soybean monoculture which meets the demand for feed and for inputs to the EU and other food processing industries. In case study 1 the transformation of Cerrado is described.

Case study 1: The Cerrado, Brazil

In the 18th century, the Cerrado was covered mostly by rainforest, and its lands occupied by indigenous Indian populations. European immigrants gradually moved into the region, almost completely destroying the Indian population and establishing settled agricultural systems. The region developed over the 19th century and into the 20th century as a mix of forest, cattle ranches and small farms, geared to local markets. Cattle were reared extensively on the range lands and fodder obtained by slash and burn of forests during the dry season (August – November). After deforestation, crops were cultivated on small parcels of land (about 1.5 ha) in a three year cycle, after which they were replaced by pasture. Old pasture was then left fallow for a period of from 12 – 25 years to allow regeneration. In the 30s, to meet the demand for food from growing urban populations, government

policy encouraged landless peasants from the old cattle farms to become sharecroppers. They were granted titles to 8 ha. parcels of land which they cleared, and turned over to food crops and later pasture, reproducing traditional patterns.

In spite of these policies, by the 50s, farms occupied less than 25% of land and much of the area was still covered by forest. Even within farms, considerable uncultivated areas were left. Up until the 60s, the region embraced a mix of forest, cattle ranches and small mixed farms, geared to supplying local markets.

In the late 60s growing international demand for soya encouraged the Brazilian government to adopt its Cerrado Development Plan. Initially, small farmers were encouraged to turn to soya production, while soya bean multinationals provided markets for the crop. Under the development plan, large cattle ranches were encouraged to convert to soya bean production. The size of these operations, with the benefit of mechanisation and economies of scale, made it difficult for small farmers to remain competitive.

By 1975, 90% of farms were over 1000 ha. and small farmers were increasingly driven out of business by the more financially competitive large farmers. In Rio Grande do Sul, 300,000 farms disappeared and 1.7 million people left the countryside as the soya bean monoculture for export displaced mixed farms geared to local markets. The area under soya grew from 325,000 ha. in 1975 to 5 million ha. in 1989. In 1989, 77% of soya beans were exported to the EEC, largely to provide feed for European intensive cattle units.

Annual rates of soil loss increased from 0.1 tonnes/ha/year in the (formerly) forested areas, to 8 tonnes/ha/year and gigantic gullies (*vacorocas*) began to appear. Fertiliser, lime and pesticide usage increased drastically to protect the vast new tracts of soya monoculture, leading to high levels of pollution in water-courses. As diseases and pests adapted to the opportunities offered by the monoculture, volumes of agrochemicals used had to be stepped up. The increasing scale of farming operations reduced labour needs to a minimum. and small farmers increasingly joined the ranks of the landless poor in South Brazil.

Sustainability

While it cannot be said that the traditional mix of forest, cattle ranches

and small farms which existed before the soya monoculture developed was sustainable in any absolute sense, it would appear to have been considerably more sustainable than the soya monoculture. Prior to this, independent farmers supplied local markets, offering a diversity of products. Considerable areas of forest remained around and within farms and fallow periods allowed regeneration. Environmental problems were not serious. With the introduction of the monoculture however, environmental problems became acute and farming communities were all but destroyed (Farquhar *et al.*, 1993)

While the Cerrado in Brazil changed from mixed farming and local markets to monocultures for export to the North, the Argentinian grasslands also came under pressure from the CAP (case study 2). It, along with other countries with extensive natural grassland like New Zealand and Australia, saw one of its most important traditional export markets disappearing, as subsidised production in Europe increased.

Case study 2: The Pampas, Argentina

In the 19th century, the huge natural grasslands of the Argentinian Pampas were opened up to pastoralism. Fencing began on the Pampas in the 1840s and gradually extended over much of the area. The region had considerable natural advantages of climate and soil, and these gave it a competitive edge over other major beef producers. By 1872, 94.7% of Argentinian exports came from pastoral products.

As a report written in the 1930s put it: "Export animals are produced in the temperate zone under conditions of equable humid climate and rich soil that allow year round grazing" (Hanson, 1938). In some areas pasture was improved and alfalfa planted as a forage crop. In the 20s, European import duties imposed on Argentinian beef encouraged a movement away from cattle and into arable crops, particularly wheat, but this trend ended by the end of the decade. The region today includes a mix of natural and improved grassland and arable production.

Up until the 1970s, it was still possible to say that "cows and calves are fed almost entirely by the direct grazing of grass and forage crops on the natural unimproved pastures, which occupy approximately half of

the Pampas, although steers are fattened on improved pasture." (Randall, 1978).

Prior to its accession to the EEC in 1973, the UK provided Argentina's most important market for beef. In the 1930s, for example, Great Britain purchased as much as 98.6% of Argentinian exports of chilled beef. Argentina also exported to other EEC countries including France, Belgium, Italy and Germany.

The introduction of import levies, and later tariffs by the EU has undermined the competitive position of Argentina on the European market, while the EU's paying of export subsidies has also undermined Argentina's position on the world market. In spite of this, the natural advantages of beef production in the Pampas are so considerable as to have allowed it to have survived (albeit less profitably), exporting at a fairly constant level of around 2,600,000 tonnes carcass equivalent throughout the late 80s and early 90s.

Sustainability

The Pampas grasslands are naturally suited to beef production, which needs little or no inputs. The production system appears to be considerably more sustainable than intensive European production which relies heavily on imported feeds (produced in arable systems like that of the Cerrado, described above). In spite of its being sustainable in environmental terms, its market position (and hence its 'economic sustainability') has been consistently undermined by the EU beef regime.

The success of the CAP in stimulating European production led, as with many other EU products, to a problem of over-production and consequent growth in stocks. Surpluses have been disposed of by exporting to other countries and exporters have been paid export subsidies, which in theory correspond to the difference between the EU internal and world market prices. From the late-80s and into the mid-90s, the EU has been subsidising the export of around a million tonnes of beef a year (Farquhar, 1997).

The effect of export subsidies has been to lower market prices outside the EU (Madden, 1993; Roberts, 1997; Robins, 1997; Fowler, 1996; Tangermann and Krostitz, 1982; Raikes, 1988). This effect has been

particularly acute in selected developing countries, most notably in the case of the Sahel, particularly in the West African countries of Burkina Faso, Mali, Niger and Chad, (Wallis, 1994). In case study 3 the impact on the Sahel between 1980 and 1995 is examined.

Case study 3: The Sahel, West Africa

A significant proportion of beef production in these countries occurs in highly fragile areas bordering the Sahara and involves transhumance movements through the region by traditional herders. They graze their cattle following traditional routes, adapting their movements to rainfall patterns and the availability of good pasture. Their surplus meat is sold in the coastal cities of West Africa where it typically arrives on the hoof to be slaughtered locally. Traditional pastoralism does not rely on external inputs.

As EU surpluses became a problem in the early-80s, the first subsidised EU exports began to appear in West African markets. The Senegalese Ministry of Agriculture has identified five periods of export dumping in the region between 1980 and 1995 (Vuarin, Tubiana, *et al.*, 1995):

- The first EU beef began to appear in significant amounts (10,000 tonnes carcass equivalent – t.c.e.) between 1980 and 1984. Initially these were 40% deboned quarters.
- From 1984 to 1987, the market was inundated with low quality meat, cuts which are seldom eaten in Europe and which have extremely high fat levels. By 1986 these had reached the level of 47,000 t.c.e.
- In 1988 and 1989 there was a sharp fall in imports.
- From 1990 to 1993, imports shot up to 69,000 t.c.e. and in 1992 these were supplemented with by-products from EU poultry processing factories (again parts that were not regarded as edible in Europe).
- From August 1993 to 1995, there was again a sharp drop of imports by 57% for beef and 37% for poultry. The decline could to a large extent be accounted for from January 1994 by a marked devaluation in the value of the African Franc (the CFA) which until then had been tied to the French Franc.

The effect of these imports was devastating to Sahelian producers and possibly also damaging to consumers (who have been encouraged by low prices to eat low quality, fatty, waste meats). For the producers, the influx of subsidised imports drastically undercut local market prices. In Abidjan in 1992, for example, local meat was selling at 19 French Francs per kilogram and EU imports at only 10 French Francs per kilogram, (Vuarin, Tubiana, *et al*, 1995), making local meat unmarketable. This both reduced the meagre incomes of the pastoralists and in addition encouraged them, instead of selling a proportion of their herd before leaving the coastal zones, to retain more animals (hoping to get better prices later), putting additional pressure on the fragile pastures.

While the subsidised exports had a major impact on the Sahelian producers, the exports themselves represented less than half a percent of EU beef production and only 5 percent of all its beef exports. This illustrates vividly the power of a major trading bloc to destroy a whole industry while, as it were, barely noticing.

Sustainability

Traditional Sahelian pastoralism fulfils many of the requirements of PTW's working definition of sustainable agriculture. Certainly, the traditional system has proved its capacity to survive over time (when not destabilised by export dumping). It relies largely on local knowledge and is predominately for the local economy. It is self-reliant and has traditionally used no external, non-renewable inputs. It depends on the producers themselves for problem solving. It is also broadly in balance with local biological processes.

In spite of its long past, the sustainability of traditional pastoralism is challenged today in two ways. Firstly, the region faces severe environmental problems and changes in customary land tenure systems which are placing pastoralist populations under pressure. Secondly, the rapid growth of urban populations means that traditional systems alone can no longer meet the region's needs. This means that pastoralists will always have to survive in a market strongly influenced by external suppliers.

Discussion

The need for traditional systems to coexist with (overseas) industrial production leaves Sahelian pastoralists vulnerable in a way which is comparable to that of some hill farmers within the EU. Within the EU, the hill farmers are given special premiums and other aids to keep them competitive. This is unlikely to be an option in West Africa for the pastoralist sector. Nevertheless, an end to export dumping increases the chances of survival for the pastoralists, as do attempts to introduce regenerative technologies into the region, particularly those aimed at water conservation (such as is occurring in Burkina Faso and Mali).

The 1992 GATT agreement committed signatories to reduce and eventually eliminate export subsidies and pressure is growing from the World Trade Organisation (WTO) to do just that.

Current trends in European production and consumption show on the one hand that consumption has stabilised at around seven million tonnes per year, while on the other hand optimistic forecasts predict a decline in production to around 7,421,000 tonnes by the year 2000. This leaves a surplus production of around 400,000 tonnes. When current levels of stocks are taken into account an increase in cumulative stocks is expected from a 1998 level of 1,003,000 to a forecast level of 1,222,000 tonnes by the year 2000 (Farquhar and Fletcher, 1997). Cutting production by the level required to reduce stocks to acceptable levels would probably require a 30% fall in intervention prices and this has been proposed in the current Agenda 2000 proposals (see below).

In 1996, in spite of WTO pressure on the EU to avoid export dumping, subsidised EU beef exports were again found to be disrupting markets for regional producers, this time in Southern Africa (Fowler, 1998).

In this brief analysis of the beef sector, three short case studies have been presented. None of them could exactly be called 'islands of sustainability' in the sense employed in the PTW programme. Nor is it

possible to say that any of these three cases were sustainable in any absolute sense. However in comparison to the subsidised intensive livestock units of the EU, most would agree that they appear to be relatively sustainable. What is more, at least in the cases of the Cerrado and the Sahel, much could have been done to intensify production in these regions, using regenerative technologies, while enhancing, rather than undermining local social and economic structures, had a different development route been followed.

As far as can be seen, it seems that the adoption of unsustainable policies within the EU has functioned to export un-sustainability to its less economically powerful trading partners.

Banana splits

Overview

How does the CAP affect sustainability in the banana sector? The CMO for bananas was introduced only recently with the adoption of the Single European Act of 1993. This established the Single European Market, in which barriers between national markets were, as far as possible, removed.

For the banana sector, this meant that bananas from quite different sources came into direct competition for the first time. The EU has traditionally consumed bananas from three sources (Van de Kastelee, 1998, Farquhar, 1998):

1. Bananas produced within its geopolitical but (with the exception of Crete) not actually within its natural geographical boundaries. The Canary Islands (off the West African coast) are Spanish territories, while the island of Madeira in the Atlantic is part of Portugal. In addition some of the French Caribbean Overseas Departments are also banana producers. Producers from these territories are considered to be producing within the internal market.
2. Bananas are also produced by ACP (African, Caribbean and Pacific) producers (mostly former colonies of EU member states), and these have traditionally enjoyed preferential access in the form of quotas to various EU member states' national markets, under the terms of the Lomé Agreement (for an explanation of ACP countries and the Lomé Convention see Box 7).
3. Countries which did not have colonies (most notably Germany) have traditionally imported what are called 'dollar bananas' i.e. bananas mostly produced in Central America in the US area of influence and traded freely on the world market.

Box 7 ACP states and the Lomé Convention

In 1974 the first Lomé convention was signed in Togo between the (then) EEC 9 and the (then) 46 African, Caribbean and Pacific states. Gradually more developing countries joined the convention and there are now over 70 developing countries which benefit from this agreement (Farquhar and Smith, 1989).

The Lomé Convention allows preferential access to the European market for developing country signatories (originally, mostly former European colonies). The details of this access are specified in various instruments, such as the CAP's Sugar Protocol and, since the adoption of Regulation 404/93, the European Banana Regime. Up until the 1998 reform of the banana regime, specific tariff free quotas were allowed for imports from each banana producing signatory.

Countries from the dollar banana zones sell bananas which mostly come from large plantations. These tend to use agrochemicals plentifully and typically pay very poor wages to plantation workers. The dollar zone plantations thereby gain considerable comparative advantages over their competitors (they also usually have some comparative advantage from better soils and more plentiful water supplies).

European producers, in contrast, pay much higher wages, usually with associated social payments (social security and pension contributions, etc.) and are mostly small family-run operations. Typically they use much lower levels of chemical inputs than the dollar zone plantations.

While there are large plantations in ACP countries, there is also a considerable sector, particularly in the Caribbean, involving small family run holdings, often selling through co-operatives (see case study 4: The Windward Islands). These enterprises are again less price-competitive than the Latin American plantations, where treatment of the environment and workforce has at times appeared brutal (see Latin American production – the case of Costa Rica).

Latin American production – the case of Costa Rica

Production in Costa Rica has been through three historical phases:

- The first phase from 1870 to 1960 was characterised by deforestation of primary rainforest, shifting cultivation, low consumption of agrochemicals and low productivity at around 20 tonnes per hectare. The dominant variety in this phase was *Gros Michel*.
- The second phase, lasting about 20 years, involved a change from shifting cultivation to the establishment of settled plantations with perennial intensive cultivation. This was associated with a change in variety to *Valery* ('the robust' or 'the strong one'), a plant of greater vigour and yield, at around 40 – 50 tonnes per hectare, but with low resistance to pests and diseases. The change was associated with considerable increases in the usage of agrochemicals, and also greater use of cardboard boxes and plastic bags to conserve the fruit and improve its appearance.
- The third phase, involving much higher levels of productivity (from 60 – 80 tonnes/ha/year) began around 1980 with the introduction of yet another variety, *Gran Enano*. This is even more vigorous but also even more susceptible to disease. Yields of around 80 tonnes have been possible only by virtue of the very high levels of agrochemical protection and the employment of advanced technologies which are responsible for serious environmental impacts.

At the end of the 80s and the beginning of the 90s, the Costa Rican Ley de Fomento Bananero (Banana Promotion Act) encouraged shifts from other crops into banana production and the clearing of more primary and secondary forests, to make way for new plantations, as part of a bid to make Costa Rica the world's biggest banana exporter.

The establishment of plantations on low density soils has led to severe erosion problems and silting of river systems. Dependence on agrochemicals for crop protection has been extreme with fungicides

being sprayed from the air between 40 and 50 times per year, nematicides sprinkled directly on the soil twice a year and herbicides applied in 8 – 10 week cycles, throughout the year. In addition, plastic bags impregnated with insecticides are used to protect fruit. On average 44 kg/ha/year of pesticides are used in the plantations, sixteen times the average use by intensive agriculture in industrial countries. Pesticides account for 35% of the costs of production in the commercial banana sector.

High levels of residues (including organo-phosphates and Paraquat) have been found in soil, water, sediments and fish around the plantations and a number of serious fish kills have occurred. Seven out of eight samples of underground water have been found to be contaminated and drinking water has also been seriously contaminated in some areas.

Inadequate protective clothing and procedures have led to high levels of poisonings among banana workers. 6.4% of banana workers are poisoned each year (as compared with the WHO's estimate of 3% for all agricultural workers in developing countries).

Costa Rica's Ministry of Health reported in 1992 that 78% of banana plantations did not have adequate procedures for the handling and dumping of wastes and on some plantations, plastic bags impregnated with Chloropiriphos were left lying about or were thrown on open air dumps (Astoga, 1998).

According to Costa Rica's independent banana workers' union, SITRAP, "the inhabitants of the banana zones live in sub-human conditions of poverty". The union reports "long and exhausting working days of 12 – 14 hours or more, without any overtime payment", "wages which are not sufficient to cover the basic needs of subsistence for a family" and "dismissals without any social security or redundancy payments". Wages fell by 25% between 1993 and 1997. Banana plantation workers are forced to join official unions and independent trade unions have been subjected to violence and harassment (Chambron and Smith, 1998; Umana, 1998).

Sustainability

Latin American producers enjoy some comparative advantages in terms of amounts of land available, soil quality and rainfall with respect to their competitors. However, their natural advantages have been boosted to a very large degree by the adoption of unsustainable practices which impact heavily on environments, drinking water supplies and the health and well-being of plantation workers.

Case study 4: The Windward Islands

Nearly 30% of the Windward Islands' cultivated area is under banana cultivation. 70% of St. Vincent's population is involved in the banana trade and over a third of the population in the other two islands of St. Lucia and Dominica. Bananas are particularly well adapted to Caribbean conditions and can come back into production rapidly after hurricanes, floods and other natural disasters, to which the region is particularly prone. Few, if any, other crops are able to survive these conditions, making it difficult for the Windward Islands to diversify out of bananas.

Production is mostly on small family-run farms. Some 300,000 producers farm on average less than 5 hectares, often on steep and difficult terrain unsuitable to other crops (Godfrey, 1998).

The banana growers have voting rights in marketing companies, although these are currently being restructured (Chambron and Smith, 1998).

Agrochemical usage by the small holder producer is much lower than that of Latin American plantation producers (Chambron and Smith, 1998), and spot treatment is often used in preference to regular treatments with fungicides and pesticides.

Work conditions are under the control of the families and tend to be much less arduous than those seen in Latin America.

Having enjoyed preferential access to the UK market since the 50s, the Windward Islands have until recently ranked high in the UNDP's human development index (HDI). Average life expectancy is 72 and adult literacy ranges from 82% to 98% in the different islands (Godfrey, 1998).

Sustainability

Compared to Latin American plantations, the Windward Islands production system appears to be much more sustainable in social and environmental terms. However, it cannot compete with Latin America on price. With the reform of the EU banana regime, Windward Islands bananas have had difficulties in meeting quality specifications (as regards size and shape) and suffered from direct competition from Latin American producers. With the banana sector under pressure, poverty is growing in the Windward Islands and there are increasing signs of social disorder and violence.

To honour the terms of the Lomé Convention and to protect the interests of the ACP producers (as well as the EU traders and banana ripeners which dealt with them), tariff free quotas were allowed, under the terms of Regulation 404/93, for each banana producing ACP country. Dollar bananas were charged tariffs so that both the ACP quota bananas and EU produced bananas would have a chance to compete on the single market in spite of the financial disadvantages which followed from their less industrial-style approaches to banana production. The details of the quota allocations and tariffs under Regulation 404/93 are shown in Box 8.

The EU's attempt to protect the interests of its own banana producers and those of its ACP trading partners has been challenged successfully in the WTO. Five Latin American banana producers (Costa Rica, Venezuela, Colombia, Guatemala and Nicaragua) initially challenged the new banana regime at the WTO. The EU and four of the 5 countries struck a deal, known as the 'Framework Agreement', which compensated these Latin American producers. Under this agreement, the exporting countries were allocated quotas and were entitled to distribute export licences. Guatemala did not sign this compensatory 'Framework Agreement'.

US banana companies protested against the system and, under pressure from the companies, the US brought a dispute to the WTO. In 1996, a dispute panel found that the EU's tariff quota regime for negotiating and allocating quotas acted in a discriminatory way, although the quota

Box 8 Quotas and tariffs under Regulation 404/93

Under the 404/93 trade mechanism four categories of suppliers are identified and given different treatment:

- EU producers are covered by internal aspects of the common market. For this category income support up to 854,000 tonnes is guaranteed in case prices fall below the costs of production. This mechanism has been used for several years.
- Traditional ACP countries, i.e. the ACP banana suppliers in the years preceding the single market, have duty-free access up to a maximum amount of 857,000 tonnes per year.
- Non-traditional ACP countries (e.g. Dominican Republic) and quantities from traditional ACP countries above the ceiling of 857,000 tonnes.
- Third countries, the so-called 'Dollar' countries which, together with category 3 producers, share a tariff quota of 2m tonnes – duty free for non-traditional ACP countries and with a tariff of 75 ECU per tonne for the Dollar bananas. The quota to be increased to 2.5m tonnes with the accession to the EU of Sweden, Finland and Austria.

The Dollar allocation was granted to trading companies in the following way:

- A licences: 66.5% reserved for traditional traders in Dollar bananas;
- B licences: 30% reserved for established operators of Community and/or traditional ACP bananas;
- C licences: 3.5% for 'newcomers' with ambitions within the sector.

The allocation of Dollar quotas to the ACP companies was designed to cross-subsidise the expensive ACP bananas with some Dollar banana quota rent and thus strengthen the position of ACP companies in relation to the Dollar companies. At the same time, it led the Dollar companies to invest in ACP countries to build rights to future Dollar quota allocation within this category. (Van de Kastele, 1998).

system as such was not condemned. The EU agreed to comply with the WTO ruling and had until the end of 1998 to modify the regime.

In January 1998, the reformed version of the Banana Regime was presented to the EU's Council of Ministers. This version was agreed in September with one important element still to be defined.

The issuing of import licences is crucially significant to banana producers and traders. The licences allow access to the market (under

one of the 4 categories described in Box 8). These licences can be bought and sold and the trade in licences is estimated to be well over \$1 billion. Almost all import licences (96.5%) were initially granted to traditional or established traders under Regulation 404/93, making it difficult for newcomers to enter the market. Licensing arrangements for different stages in the production process also made it increasingly necessary for banana companies to achieve vertical integration, ideally from the plantation, through transport and ripening to distribution, increasing the financial clout necessary for newcomers to get a foothold.

Meanwhile, a demand has been growing among EU consumers for fair traded and also organic bananas, a demand which is not being met by established producers or traders. In November 1997, the European Commission revealed the results of its survey on Fair Trade bananas in the EU market. According to the survey, 74% of the EU population would buy fair traded bananas if they were available in shops alongside other bananas, and half of these would be prepared to pay at least 10% more for the Fair Traded product. There is also a growing interest in organically produced bananas (BANFO, 1998).

EU consumers it seems, want bananas which are produced more sustainably (either under socially more just conditions or in a more environmentally sound fashion, or both), but producers who want to sell bananas, fulfilling the Fair Trade or Organic standards, can sell to EU consumers only if they can obtain import licences. They are likely to have to buy these from existing traders of conventional bananas, which often own their own plantations and which are competitors in the market. The cost of these licences has, at times, been higher than the value of the bananas which they license the operator to sell.

The following sections briefly profile two producer organisations, one 'would be' supplier to the EU and one actual supplier, which respectively have not been able or have been able to obtain licences.

Case study 5: SITRAP and the 'Creole' banana

SITRAP, the independent Costa Rican banana cutters' union, wants to further commercialise a 'Créole' or 'ecological' banana.

In the early 90s, it helped to organise small *campesino* (peasant) producers, dismissed plantation workers and workers banned from plantations (often for associating with independent trade unions) to produce bananas on small holdings without using agrochemicals. Many banana workers own small areas of land where their forebears were *campesino* farmers. The difficulties of surviving in a depressed *campesino* economy has led many to work on multinational plantations to boost family income. In many cases, they have had to sell their land to transnationals in order to survive financially in the short term.

For those who do still have land, SITRAP has been trying to organise an alternative. Rather than selling the land to transnationals and then working in dangerous conditions on the plantations, SITRAP helps them to develop an alternative banana economy. This involves growing a smaller 'Créole banana', renowned locally for its flavour and, being more resistant to pests and diseases, able to grow without any chemical inputs. This 'ecological banana' is sold on local markets, providing an alternative to working on the plantations for the *campesino* sector.

In 1993, eighty *campesino* families were supplying local markets with these bananas. SITRAP hoped to extend its scale of operations to involve more *campesinos*, with a view to marketing the bananas nationally and internationally, under Fair Trade labels.

However they faced difficulties in getting access to the market as the multinationals control transport and export licences. Without access to licences export to the EU is impossible. Its only hope to get access to the EU market is by working in association with organisations like the Dutch development agency Solidaridad, which is promoting Fair Trade for bananas in Europe (SITRAP, 1993)

Case study 6: Volta River Estates Ltd., Ghana

Volta River Estates Ltd. (VREL), located in the Eastern Region of the Republic of Ghana, West Africa, is an agricultural concern producing Fair Trade Export Bananas. VREL has about 300 hectares under cultivation, situated along the Volta River. VREL has adopted farming practices aimed at conserving the ecological balance of its lands. All farming activities have, as a first priority, the aim of being environmentally-friendly and sustainable.

- Land preparation is exclusively done manually – no machinery is used
- A gradual shift is being made from the use of inorganic fertilisers to the use of organic ones
- Pesticide use is kept to a bare minimum. At present VREL uses 80% less pesticide than most other banana plantations.

VREL has a close association with the Max Havelaar Foundation and with Solidaridad in The Netherlands. These organisations operate on the basis of fair prices and a fair treatment for producers – for commodities such as coffee, cocoa, honey, sugar and now bananas. VREL is the only plantation on the African continent which meets the Fair Trade Criteria, and whose products bear the Fair Trade label. The Solidaridad Foundation is a 25% shareholder in VREL and it intends to transfer this shareholding to VREL's employees in the near future.

During the harvest year 1998 VREL produced 8700 tonnes, of which 6000 tonnes were exported. VREL is definitely hindered by the quota and licenses system imposed by the European Union. A quota of only 5000 tonnes has been granted to Ghana so far, and VREL's forecasted output will exceed this quantity. The requirement to purchase licenses each year is a heavy burden on VREL's shoulders, as it is a young and upcoming company. (Farquhar, 1998)

Discussion

Earlier in this paper, the question of how 'sustainable agriculture' is defined was discussed. In that discussion, it was noted that it was difficult to establish that a production system was sustainable in any absolute sense but that it was much easier to make the claim that one system was more sustainable than another in some respects (or that a given system might be more sustainable at one historical moment than at another).

In the case studies discussed in this section it might be difficult to argue strongly that any of the systems are necessarily actually sustainable, but it seems clear that the three case study examples (the Windward Islands, SITRAP and VREL) are more sustainable in social and environmental terms than the classic large scale modern plantation systems, described in the Costa Rican example. Nevertheless in financial terms the latter is much more competitive. By virtue of 'social and ecological dumping', it is able to undercut the prices of products which do more to internalise the costs of production (i.e. by adopting less polluting practices and paying primary producers more, these products incur additional costs which inevitably have to feed in to the final price paid in the market, shop or supermarket).

Whereas in the beef sector, the CAP appeared to be almost entirely negative in its impacts on sustainability, in the case of the banana sector, Regulation 404/93 has tried to support EU and ACP producers who have, by and large, employed less environmentally and socially damaging production systems. However, the regulation introduced had to satisfy the requirements of the GATT/WTO and the exclusive focus of this powerful institution is on the issue of whether or not there has been discrimination against a producer or trader. The GATT/WTO rules actually explicitly disallow discrimination based on the method of production, making it difficult for the Banana Regime to establish a Fair Trade or an Organic Quota to meet the evident demand for bananas conforming to these standards from among EU citizens.

The question of how to allocate the 3.5% dollar quota for newcomers is still under discussion and the advocates of more sustainable agricultural systems are keen to see a mechanism in place which would make it easier for producers or would be producers like SITRAP to get a foothold in the European market. Some argue that Fair Traded labels should be allowed duty free access. Others say that it is the WTO which must be reformed so that agricultural products from sustainable systems are not left competing for access to the EU market with products from systems which are geared simply to the minimisation of price.

Reforms and policies

Two reforms: The CAP and the WTO

It is not only the banana regime which is changing. The entire CAP has been under pressure, as a result of challenges made to it at the WTO throughout the 90s. It is currently in the process of being reworked, and the European Commission published proposals in 1997, entitled 'Agenda 2000', which set out the Commission's suggestions for how the CAP should be reformed. These proposals are being discussed by EU and other stakeholders, and it is hoped that final agreement between member states will be reached by mid-1999, in time for the next WTO round. Before examining the proposed Agenda 2000 reforms, it is worth looking at the earlier 1992 reforms as these help to set the context for the current discussions.

It should be apparent by now that the CAP, while achieving many of the goals it set out to realise, at the same time generated immense problems, particularly for some developing countries. The Uruguay Round of the GATT (1986 to 1993) brought many of these problems into sharp focus. Up until the Uruguay Round, agriculture was exempted from GATT. However the new round, recognising the importance of agricultural production for the 'developing world' (and the US), put agriculture in a position of prominence. For the first time, the principle of liberalisation of trade, which was central to the GATT, was brought to bear on agriculture itself. This threw into question the entire rationale for the CAP which was most fundamentally the achievement of food security for Europe. From now on, it would no longer be permissible for a trading bloc like the EU to protect its agriculture so completely. Agricultural products should be subjected to the same principles as those which applied in other areas of production.

While the pressure was on the EU to open up its agriculture to

competition, it was far from keen to do so. If European agriculture had to compete on world markets, with depressed world market prices for such commodities as sugar or beef, much of the Community's agriculture would go to the wall. The temporary compromise which the 1992 reform attempted to put in place, was to mimic the US system of price support for its own agriculture (as embodied in various US farm bills). Central to the reform was the attempt to decouple farm support from production by providing what came to be known as 'area payments'. Before the reform, most of the EC's support was tied to production. In the case of sugar, for example, guaranteed prices were paid for a specific quantity of sugar. The same applied to most commodities, more usually by using the mechanism of intervention prices.

The 1992 reform fought shy of entirely abandoning the principle of price guarantees. However where such guarantees were retained, as in the case of beef, the levels of payment were significantly reduced. EU farmers were then paid compensatory payments to cover their losses in farm income, although in the arable sector these compensation payments would only be paid to farmers who agreed to 'set aside' 15 percent of their land (i.e. they had to agree not to grow crops or graze livestock on this land). This compromise meant that on the one hand farm incomes would hopefully not fall in the short term, while at the same time production of cereals, sugar and other products should fall overall, reducing the level of export dumping.

The payment of direct aid, as it was called, to farmers had an unexpected effect. Whereas before the 1992 reforms European consumers and taxpayers had little, if any, idea of how much European farmers were being supported, after the reform the extent of public support for agriculture became highly visible. Europeans began to ask why farmers alone were continuing to receive such generous levels of public support when other industries had been made to compete or collapse in the face of free market forces. In some cases, in the more favoured areas, it was not even family farmers who were receiving direct income support. Often the recipients were consortiums of business interests which had bought European land as investments. These could be pension funds, insurance firms or other financial organisations, sometimes organisations which

were not even owned or located in Europe. Why should European taxpayers and consumers be supporting American or Japanese financial interests when in any case food security was no longer tied to European land, but was rather dependent on the ability of consumers and retailing chains to buy on increasingly open, globalised markets?

As if this were not enough, European agriculture was not even delivering the kind of products which consumers necessarily wanted. The BSE ('mad cow disease') crisis, outbreaks of *E. Coli* contamination, and a series of lesser food scares focused the attention of consumers on the Leviathan which had developed in Europe. Increasingly consumers were beginning to demand environmental protection, food without residues, ideally organic and fair traded food which was not produced at the expense of the workers who produced it. With the decoupling of farm support from production, European citizens began to question why agriculture should be a special case and to ask whether, if it was to be special, it should not be required to deliver something special back to those who paid for it, whether this be wildlife protection, landscape conservation or food quality. The stage was set for a new set of policies for the next millennium, a set of policies called Agenda 2000.

Agenda 2000

The Agenda 2000 proposals published last year (European Commission, 1997) arose as a result of a number of pressures. In the view of most commentators, reform of the CAP was inevitable for at least three reasons:

1. The cost of the CAP at around 60 percent of the total EU budget had become too high.
2. The EU wanted to expand into Eastern and Central Europe and could not afford to offer these new countries the same generous levels of support.
3. The 1992 reform, although going a small way to meet the requirements of the GATT, was still a long way from satisfying its pressures to liberalise farm trade (Farquhar and Fletcher, 1997).

This last reason is probably the strongest motivation for change. The next round of the GATT is due to open in 1999. The previous Uruguay Round ended with a so-called peace clause, in which the EU was allowed to get away with policies which were broadly unacceptable to the US and the Cairns Group (a group of agricultural exporting countries, including Australia and New Zealand, which no longer provided any state support for agriculture). These so called Blue Box arrangements allowed some production-linked subsidies to continue, providing they were part of production limiting programmes (House of Commons, 1998). In the next round, these agreements are likely to be thrown out and the EU required to totally decouple agricultural support from production. The 1992 reforms, by lowering intervention prices for several commodities and introducing area payments, linked with the set aside requirements, were accepted by the WTO as a step in the right direction, but only as a transitional measure. However, the pressure will be on in the next round to do away with all production subsidies (such as still exist in the dairy sector) and to completely replace these with domestic support arrangements (i.e. direct income support, probably linked to area payments) with a view to reducing and eventually eliminating all agricultural support.

Agenda 2000 signally fails to prepare for such pressures. Like the 1992 reforms, it takes another tentative step in what the WTO regards as being the right direction but it does not go very far. Without going into too much detail, Agenda 2000 proposes a number of measures, which are summarised in Box 9.

Box 9 Agenda 2000 proposals

In the arable sector Agenda 2000 cuts price support by 20% for cereals and eliminates compulsory set aside. It compensates for losses to farmers by increasing a non-crop-specific area payment for cereals, adjusted regionally according to average yields attained in 1992. It suggests no changes for the sugar regime (although the guaranteed prices paid were already reduced slightly in the previous reform). The intention behind these measures is to decouple support from production. The 20% cut in cereal intervention prices is intended to bring these prices roughly in line with expected world market prices, allowing the EU to offer some stabilisation

of internal prices but without the major disparities between internal and world market prices which have been seen in past years.

In the beef sector, the proposal is to reduce the beef intervention price by approximately 30% between 2000 and 2002 and to shift storage into the private sector. As seen in the discussion of beef, such a 30% drop is expected to eliminate the need for export subsidies and to bring supply and demand into balance for the internal market. At the same time, to protect extensive cattle keeping and hill farming in less favoured areas, an increase in the suckler premium is proposed.

Also proposed are a ceiling on direct income payments, these to be decided nationally, and a growth of Agri-environmental and Rural Development measures. Agri-environmental measures aim to achieve specific environmental benefits, such as protecting areas of special scientific interest or of outstanding natural beauty. The rationale for these is that they are not a support for farming as such, but rather a support for farmers to, for example, maintain the amenity or touristic value of certain areas of Europe. Payments to manage traditional landscapes would in theory allow a less competitive, less industrial style of agriculture to co-exist on world markets with the industrial agriculture characteristic of areas like the US prairies. Rural development measures have a similar spin and would be aimed at stopping the further social desertification of the EU countryside which was noted in Box 4.

Policy implications: Rethinking agenda 2000 proposals

Given the fact that Agenda 2000 recognises the need to satisfy EU taxpayers' and consumers' demands for environmental and landscape protection, food quality and more effective rural policy, many are disappointed by the failure of the current proposals to do much more than pay lip-service to their demands. The detailed proposals in Agenda 2000 include adjustments to payments which aim at satisfying the WTO, allowing the accession of Central and Eastern European States and balancing the budget, without doing much to meet EU citizens' demands for more sustainable lifestyles in the agricultural and food sectors.

This is somewhat reminiscent of the reforms made in the Banana Sector, where the intention seemed to be, to a large extent, to maintain the *status quo* as far as possible while attempting to satisfy the WTO's demands (by

adopting complex adjustments to tariff and quota levels). In this sector it has become doubly hard for producers adopting more sustainable systems to get access to the market.

In the earlier discussion of the beef sector, it emerged that unsustainable practices within the EU seemed to effectively spread out into Southern countries, infecting them, as it were, with un-sustainability. If the EU was to concentrate on sustainable agriculture within its borders, could this, by the same token, similarly encourage sustainability in its trading partners, to the benefit of southern environments and communities?

The Coordination Paysannes Européenne (CPE) brings together a wide range of small farmers from throughout the European Union. As a member of a broader international alliance, the Via Campesino, it is well aware of the impacts of EU policy on developing country farmers in many parts of the globe. It seems that the CPE, at least, believes that more sustainable agriculture in Europe would have better impacts on southern countries than those which have been observed in the last two decades. It predicts that the payment of direct aid under the Agenda 2000 proposals, combined with an opening of the internal market to world market prices will merely subsidise export oriented beef and cereal producers, even when support is decoupled from production. If this is what Agenda 2000 actually achieves, then patterns of export dumping will continue, they suggest. An extract from their press release is quoted in Box 10.

Box 10 The CPE's view:

"Europe is not a natural export region. The EU should stop making Europe into a meat factory, importing huge quantities of feedstuffs, unable to cope with the resulting manure, and exporting useless surpluses of beef, poultry, and pork subsidised by its taxpayers. The present pork crisis is a good demonstration of this." (CPE, 1998).

The CPE goes on to suggest a number of alternative measures, such as:

- linking the payment of compensatory payments to the use of sustainable farming practices (less than 2 large Livestock Units per hectare of fodder crop, all livestock included, no growth promoters or plant growth inhibitors, moderate fertilisation, etc.) with transitional

measures for small farms in intensive regions.

- creating a forage premium for grasslands and fodder crops (leguminous and other plants) rather than solely for maize as the Commission proposes.
- setting ceilings per labour unit for compensatory payments.
- eliminating the export refunds and to tax the largest farmers for possible surpluses.
- promoting actively sustainable farming methods.
- deciding a moratorium on the use of genetic engineering in agriculture and food production.

Various European farmers' groups have specific ideas for how sustainability could be encouraged within the EU, hopefully with positive knock on effects for southern countries. Some of these alternatives are briefly summarised in Box 11.

Box 11 Sustainable alternatives?

Peasants and Citizens (which has brought together a large number of small groups of, in particular, peasant farmers, dotted around France, but most concentrated in west France) propose that direct area payments should be tied to specific environmental requirements, so that higher payments are made to organic farmers than to conventional ones, and intermediate levels of payments made to low input systems. They also propose that there should be a limit on the areas which are eligible for direct aid, so that the trend towards increasing farm size is at least halted and possibly even reversed. They also suggest that the amount farmers receive under this system should be limited by the number of employees on the farm, to encourage rural employment.

Proposals from farmers in Baden-Wurttemberg in Germany are slightly different and depend on the awarding of points for specific environmental goods (such as retention of traditional water meadows for example). Support payments would be directly tied to the number of points earned.

The UK's *Farmers' Link* has proposed that schemes like these should be negotiated on a regional basis by invoking the Maastricht principle of subsidiarity, rather than by trying to achieve a single set of regulations for the entire Union (Farmers Link, 1998).

Whatever else the reform of the CAP produces, it is clear that further export dumping needs to be avoided in future if more sustainable forms of agriculture are to emerge and spread in both the North and the South.

Endnotes

¹ There are a number of studies which focus on EU export dumping, as in Fowler (1996), Wehrhei and von Crammon-Taubadel (1997), Walter (1994 and 1995), Jadot and Rolland (1996). However, as Stevens *et al* (1998) point out, with the exception of the beef sector, explored in this paper, attempts to prove through case study work that EU surpluses do undercut developing country farmers in their own markets, have not always been successful.

² In this paper 'PTW' refers to IIED's research programme 'Policies that Work for Sustainable Agriculture and Regenerating Rural Economies'.

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The other side of the mountain

Providing an overview for international policy makers and practitioners, this paper looks at ways in which the Common Agricultural Policy (CAP) is affecting sustainable agriculture in the developing world, through detailed examinations of two areas of impact: beef and bananas.

It introduces the background to the CAP, from its origins as a tool for ensuring food self-sufficiency in Europe while preserving rural quality of life, to the present, where both World Trade rules and the expansion of the EU require major reform. The notion of sustainable agriculture, and some of its strengths and weaknesses, are discussed, before the 'Policies that Work' project methodology and aims are introduced.

The paper looks at the beef sector and banana sectors, and the ways in which CAP support to European farmers has impacted on agricultural practices, people and the environment in the South. Issues of sustainability are examined, and the policy future and alternatives examined.

The paper closes with a look at proposed and existing reforms to the CAP (including a detailed examination of Agenda 2000 reforms), as well as the growing influence of the WTO on European policy making.

Policies that work for sustainable agriculture and regenerating rural economies series

There are enough examples world-wide to suggest that agriculture which is pro-sustainability and pro-people is working. We now understand the concept of 'sustainable agriculture' is not confined within the farm boundary, but has strong links (and a potential to be a dynamic force within) a wider rural economy. So, 'sustainable agriculture' not only contributes to greater agricultural production, but also environmental regeneration and local economic development.

IIED's Sustainable Agriculture and Rural Livelihoods Programme has undertaken collaborative research to look at 'Policies that work for sustainable agriculture and regenerating rural economies'. The overall objective of this research is to understand the policy contexts and instruments that can promote sustainable agriculture and social change. This has been done in high, medium and low income countries in both South and North. 'Success stories' have been identified and the policy environment that has permitted these to emerge has been investigated. Are there lessons we can learn from these 'islands of sustainability' that will help us turn islands into continents?

This paper is one of a series, which provide the contextual and conceptual background to this programme of research.

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