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# The Politics of CAP: The case of Greece

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## **Abstract**

The complex and often conflicting policy objectives that CAP, either implicitly or explicitly, is designed to achieve as well as, due to trade-offs and compromises between stakeholders and between different stakeholders that inevitably arise when hard decisions must be made, make the adopted policies to be appeared as counter-intuitive for many CAP observers. This paper has modest aspirations; it does not seek to explain the recent EU proposal, not even to highlight the EU decision-making process. It merely attempts to sketch the public debate between the stakeholders and the political parties in Greece on Commission's proposal.

*JEL: Q18*

## **1. Introduction**

The Common Agricultural Policy (CAP) dates back to the early days of the European Community and still accounts for around 40% of the entire European Union (EU) budget. It was designed to boost European food production in the face of post-war shortages and increase farm incomes. CAP has undergone fundamental reforms over time, the last one being the 'CAP health check', which concluded in 2008. This fact demonstrates its capacity to respond to changing economic conditions as well as societal expectations and demands. In this process, the CAP has moved to a policy putting emphasis on market orientation and competitiveness, income support, environmental protection and the development of rural areas. Although over one third spent of the CAP budget is still spent on direct payments alone, the overall trend seems to be towards avoiding distortions to prices and production decisions and placing more attention on all sustainability dimensions in the countryside.

The future of the CAP beyond 2013 is currently the subject of a major policy debate across the EU, as the European Commission (EC) published legislative proposals to reform the CAP. Policy-makers, business groups and civil society organisations are at this time in the midst of a discussion over the future of the CAP for the 2013-2020 budget cycle. The debate was initially centered on the future scale of farm subsidies and was taking place against the background of complex negotiations on the Union's budgetary framework post2013. The overall size of EU's CAP budget was at stake as well as the share of this funding received by individual Member States (MS).

Based on the outcome of a public debate and formal consultation with the Council and the European Parliament, the Commission presented on 18 November 2010 its Communication on

*“The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future”*. Sustainable food production and management of natural resources, contribution to the fight against climate change and achievement of balanced territorial development have been set as the key strategic objectives of this reform proposal. Described as “evolutionary” rather than “revolutionary” by the Commissioner for Agriculture and Rural Development Dacian Cioloș, the proposal’s aims included the implementation of a more equitable system for direct payments and ‘greening’ of the CAP, with a focus on sustainability and food security. However, as Tangermann(2011)<sup>1</sup> mentioned, the Commission proposal did not argue in any explicit way why direct payments (as opposed to other elements of the CAP) are needed in the future and which specific purpose they are expected to serve. It was, though, suggested that “decoupled direct payments provide today basic income support and support for basic public goods desired by the European society”.

Furthermore, on the 12<sup>th</sup> of October 2011, the Commission presented a set of legal proposals aiming at a more effective CAP policy for a more competitive and sustainable agriculture and vibrant rural areas. Following the debates in the European Parliament and the Council, the approval of the different regulations and implementing acts is scheduled for the end of 2013, with a view to having the CAP reform in place as from 1st January 2014.

Reform this time around is particularly challenging for several additional reasons, apart from the, always present, implications for the non-European economy and the pending Doha negotiations at the World Trade Organisation on agricultural trade reform. Among the most important are: the inclusion of partners with a large, competitive agricultural sector such as Poland and Hungary in the European space; the imperative for a more equitable distribution of support and the resulting benefits and the need for a rationalisation of land, water and energy use in agriculture. The European public demand for safeguarding agro and forest - ecosystem services, sustainable farming, locally adapted practices and smallholder agriculture and rural livelihoods, is particularly firm now (EC, 2011). In many ways, the anticipated post-2013 CAP raises greater and more complex expectations, from within and outside Europe, than any EU farm policy before.

Within this context, a long debate started in all 27 MS seeking to clarify and decipher the new policy proposal, trying to identify the pros and cons of the proposed policy reform, taking into account national and regional particularities. The debate on post 2013 CAP in Greece has been rather superseded by the far more pressing discussions on the critical financial situation of the country. Few discussions and even less public debate has taken place in Greece, while academics participated in the internal debate of the Ministry of Rural Development and Food. Furthermore, enquiries towards professional organisations of the sector, as is the Geotechnical Chambers of Greece, resulted inconclusive. Finally, environmental NGOs although they responded to the 2007-2013 Rural Development Programme (RDP) documents, have shown no interest, hence no involvement, in the whole debate, albeit the participation of the most important, in the monitoring committee of the 2007-2013 RDP.

This paper invites views on the European Commission’s CAP regulatory proposals for the period 2014 – 2020, released on the 12<sup>th</sup> of October 2011. This paper drew from views of farmers’ professional organisations and co-operatives, public agencies, experts, political

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<sup>1</sup> Directs Payment in the CAP post 2013,  
[http://www.reformthecap.eu/sites/default/files/EP%20note%20direct%20payments\\_Tangermann.pdf](http://www.reformthecap.eu/sites/default/files/EP%20note%20direct%20payments_Tangermann.pdf)

parties, the press (digital and imprint) and other interested parties on how these proposals may impact those directly affected by the CAP. In order for the aims of this paper to be achieved, a thorough desk research of documents, presentations and specialised press as well as browsing of internet sources was employed.

The rest of the paper is organised as follows: In section 2 some background information concerning Greek agriculture is presented. The next section is dedicated to the initial debate, that is the discussions that took place in Greece before the Commission's communication in November 2010. It is focusing mainly on presenting the debate triggered by various thoughts expressed by EC officials as well as the proposals made by NGOs, experts, research and policy analysis institutes, working groups etc. Section 4 deals with the impact the Commissions' communication of November 2010 had, and the reaction of Greek stakeholders towards the communication is going to be described. In the fifth section an attempt is made to sketch the debate that started after the official launching of the proposals on October the 12<sup>th</sup>, 2011. However a lot of useful information can be drawn since the outline of the proposals was somewhat clearer after the Commissions budget proposals for the next programming period have been revealed on June 2011. Finally, in the last section some concluding remarks are going to be attempted concerning the main issues raised by this analysis.

## **2. Background notes for Greece**

According to the OECD criteria, 97.1% of the Greek territory is characterised as rural (73.9% as mainly rural and 23.2% as intermediary rural areas), where almost 65% of the population lives. The disparities between regions are quite pronounced, with only one region, that of Sterea Hellas, presenting a GDP per capita over the EU-25 average (105.3%) while 3 of the 12 regions (subtracting the Attica region, where the capital Athens is situated) were well below 60%.

The contribution to the Gross Value Added by the primary sector diminished from 9.9% in 1995 to 5.2% in 2005. Employment in agriculture has been reduced from 30.3 % of total employment in 1980 (before Greece's entrance in the EEC), to 12.6%. Finally, this picture of contraction is completed with the reduction of farming income, as expressed by the Agricultural Income Indicator A of Eurostat<sup>2</sup>. Compared to year 2000 the reduction of agricultural income in 2006 was 14.6%, in 2007 it was 13%, 19.8% in 2008 and an impressive 22.5% during 2009 (Ministry of Rural Development and Food, 2010).

The total Utilised Agricultural Area (UAA) was 3,819,201 Ha in 2009 (66% of which is in Less Favoured Areas). Furthermore, data from Eurostat suggest that in 2007 around 860,000 farm holdings existed. The average farm size in 2007 was 4.7 ha but the average parcel size was 0.7 ha. In 2003, a significant part (37.5 %) of the holdings had an economic size of below 2 European Size Units (ESU) while the classification of farms according to economic size by the Farm Accountancy Data Network, including holdings of more than 2 ESUs, reveals a rather skewed distribution since around 60% were smaller than 8 ESUs and only 2.5-3% have been found over 40 ESUs (Data for 2007-2008).

Some information on prevailing land use patterns in the Greek territory is considered useful. Hence, one can see that during the 1990s permanent crops have expanded, with the exception

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<sup>2</sup> Indicator A of the income from agricultural activity corresponds to the deflated (real) net value added at factor cost of agriculture, per total annual work unit; the implicit price index of GDP is used as deflator. ([http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Glossary:Indicator\\_A](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Indicator_A))

of vines that faced a serious contraction, while farms with annual crops have been significantly reduced (following the general pattern) while the area covered with annual crops has not decreased proportionally (Table 1). The main result of these changes was an increase of the average farm size except in the case of the permanent crops, including vines.

**Table 1 Agricultural land use evolution (1990-2000)**

		<b>1990 (ha)</b>	<b>2000 (ha)</b>	<b>1990-2000</b>
Annual crops	Farms	495,864	405,034	-18%
	Area	1,903,734	1,871,607	-2%
Permanent crops	Farms	535,405	564,882	+6%
	Area	864,493	903,085	+4%
Vines	Farms	200,760	171,271	-15%
	Area	117,243	97,571	-17%
Set aside/ gardens/ other	Farms	311,305	353,246	+13%
	Area	465,936	710,922	+53%
<b>Total arable land</b>	Farms	<b>861,623</b>	<b>817,059</b>	-5%
	Cultivated land	<b>3,351,407</b>	<b>3,583,185</b>	+7%

Source: NSSG, 1995b and 2005b

**Table 2 Evolution of irrigated land 1990-2000**

	<b>1990</b>	<b>2000</b>	<b>1990-2000</b>
Farms with irrigated land	565,493	545,718	-3.5%
Potentially irrigated area (ha)	1,125,617	1,335,151	+18.6%
Actually irrigated area (ha)	938,362	1,174,876	+25.2%

Source: NSSG, 1995b and 2005b

An intensification process of agricultural production in Greece, can be sketched through table 2, since irrigation is a major factor for intensification, characterised by some as the triggering factor (Beopoulos, 1996), because it is accompanied by increased agrochemicals' use, as well as usually with a specialisation of production. More recent data from a different statistical source, suggest somewhat different figures but the trends seem to be continued, at least in terms of land use changes i.e. reduction of the proportion of annual crops, increase of permanent crops and relative stability of the vines (Table 3)

**Table 3 Evolution of crop areas 2004-2008**

	<b>2004</b>	<b>2008</b>
Total cultivable land	3,803,700	3,709,153
Annual crops	56.18%	54.22%
Very intensive annual crops	3.06%	2.82%
Permanent crops	26.44%	27.30%
Vines	3.31%	3.35%
Set aside 1-5 years	11.02%	12.28%

NSSG, 2006 and 2010

The overall trend could be described by an intensification pattern while irrigated land (in other words, intensive crops) is cultivated by a smaller number of farms, increasing in size. The same trend can be seen in the case of livestock farms during the decade of the 1990s. An intensification process, since less farms stay in business with bigger herds, except in the case of the pigs (Table 4).

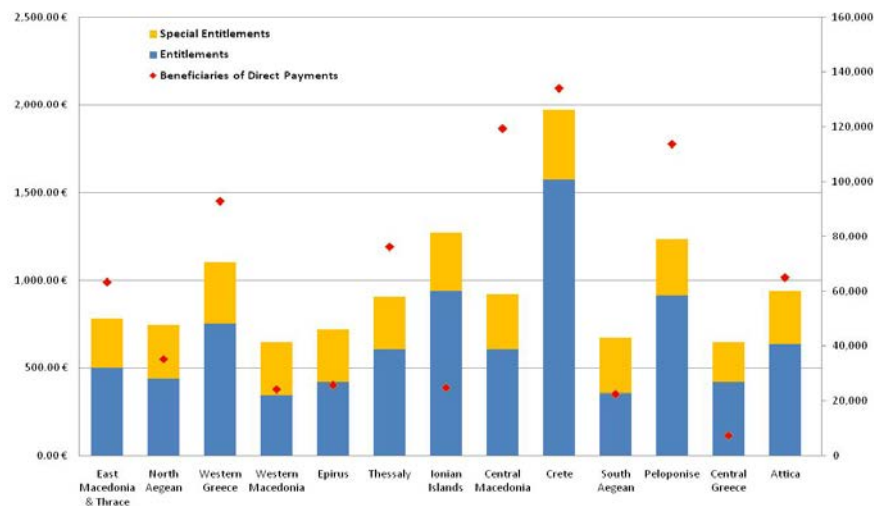
As far as the implementation of CAP in Greece is concerned, according to OPEKEPE (the Payment Authority), direct payments in Greece in 2010 amounted to around 2 billion € while the beneficiaries have been 804,731 and the total number of entitlements around 3,079,000. The historical model implemented in Greece, did not seem to have narrowed the regional inequalities of direct payments, therefore it cannot be considered as having contributed to territorial convergence (Figure 1).

**Table 4 Livestock farming 1990-2000**

		1990	2000	1990-2000
Bovine	Farms	53,070	28,325	-46.6%
	Number of animals	594,183	652,386	+9.8%
	Average herd size LU/farm	11.2	23.0	+106.0%
Sheep	Farms	160,560	128,551	-19.9%
	Number of animals	8,269,691	8,752,668	+5.8%
	Average herd size LU/farm	7.7	10.2	+32.0%
Goats	Farms	202,720	138,251	-31.8%
	Number of animals	5,188,044	5,327,201	+2.7%
	Average herd size LU/farm	3.8	5.8	+51.0%
Pigs	Farms	32,296	36,251	+12.2%
	Number of animals	975,848	969,852	-0.6%
	Average herd size LU/farm	25.7	22.8	-11.0%

Source: NSSG, 1995b and 2005b

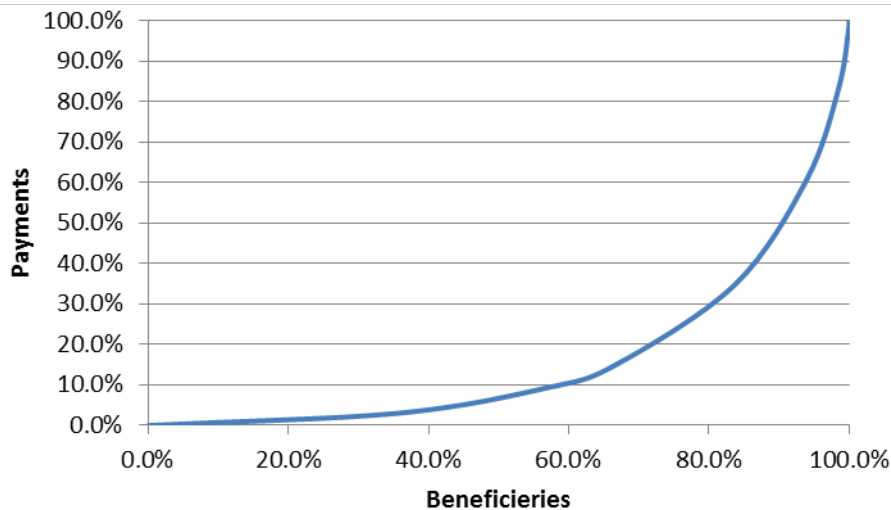
**Figure 1: Average value of Entitlements and number of Beneficiaries by region in 2010**



Source: DG AGRI<sup>3</sup>

In addition, 80% of beneficiaries receive only 30% of direct payments, whereas 20% of beneficiaries get the largest amount of support, which seems to be an inherent deficiency of the CAP, which could only be mitigated if capping of support was introduced. (Figure 2)

**Figure 2: Distribution of payments in 2008**



Source: DG AGRI

### 3. From the ‘Health Check’ to November 2010

A core element of the CAP reform process in 2003 was the shift from product support to producer support. Rather than ensuring a fixed price for agricultural products (and hence supporting farmers' income indirectly), the CAP, by ‘decoupling’ support from production, focused on supporting farmers’ income directly. The reform agreed in 2003 has been gradually implemented since 2005. In just three years, an 85% of support has been decoupled, marking a major shift in EU agricultural policy.

The EC disclosed, on the 20<sup>th</sup> of November 2007, a Communication including proposals for reforming the EU CAP. Specifically, the Commission circulated a communication “*Preparing for the ‘Health Check’ of the CAP Reform*” to the Council and the Parliament in November 2007. The main objectives of the Health Check as outlined by the Commission were:

- ❖ to facilitate the system of payments to farmers and make it more effective;
- ❖ to adapt market instruments bearing in mind the ongoing globalisation process;

<sup>3</sup> Note: simplified calculation of average direct payments based on the national envelopes of Member States after full phasing-in of direct payments in the EU-12 and the number of potentially eligible hectares communicated by MS in the Integrated Administration and Control System (IACS) for 2010 claim year.

- ❖ to incorporate new challenges such as climate change, water management and the growing importance of biofuels; and
- ❖ to respond better to existing challenges (such as preserving biodiversity).

The Communication was presented as a preparatory document for the «Health Check» of the CAP, based on the experience gathered since 2003. The Commission launched a wide-ranging consultation with stakeholders and contributions from other European Institutions. This has led the Commission to propose modifications to a series of Regulations dealing with CAP in May 2008.

The primary objective of Health Check was to assess whether the reforms of 2003 and the following years, did function or not. However, the Health Check was considered an opportunity to initiate discussion on future reform, which could take place before the end of the actual financial framework.

At that time the Greek Ministry of Rural Development and Food, took the initiative to establish a working group concerning recent developments of CAP (Health Check) as well as for the expression of some preliminary thoughts of interested parties on the future CAP beyond 2013. Apart from representatives of the Ministry (Minister, Secretary of State for Rural policy and International Relations and the head of the Agricultural Policy & Documentation Directorate), the stakeholders participating in the working group represented the following organisations: The Panhellenic Confederation of Unions of Agricultural Co-operatives (PASEGES), the General Confederation of Greek Farmers' Unions, the Pan-Hellenic Young Farmers Association, the National Agricultural Research Foundation, the Hellenic Social and Economic Committee as well as academics.

All stakeholders, participating in the working group, agreed that the expenditure for agriculture should remain at the present level, at least up to 2013. It was argued that European agriculture has a multi-functional role to play. Agriculture is very important - in economic, social as well as environmental terms - for the sustainable development of rural areas in Greece. Farming – particularly family farming – should be considered as a public service, and the CAP should treat farms and farmers as public resources. A reformed CAP should guarantee a fair agricultural income and decent living conditions for all small-scale farmers, taking into account their production costs as well as production levels and imports.

The outcome of the working group was a document produced in consensus. For the sake of simplicity we present the main proposals into three thematic areas as follows:

### **3.1. Direct Payments**

**i.** *Pillar I should be financed entirely by the EU.* The introduction of any kind of co-financing will lead to re-nationalisation of the most successful common European policy.

**ii.** *Funding of Pillar I should not be eliminated.* A cut in these payments would lead to a disproportionate reduction in the number of farmers, land abandonment and the intensification and concentration of remaining production in certain areas. This would mean social upheaval in rural areas, a great employment loss and the end of Europe's ambition to combine competitive agriculture with sustainability in rural areas. Given the very low level of average farm income compared to other sectors, it is clear that, in the absence of other complementary support tools, a cut in direct farm payments under pillar 1, would have severe consequences on the ability of farmers to provide a series of public benefits as a result of their farming activity.



**iii.** *Establishment of the 'regional model' instead of the historical model* In that case, a transition period was considered necessary since the impacts to farmers and whole regions could be very important. Implementation of the regional model was something policy makers in Greece thought that could not be avoided, hence they accepted it as inevitable. The reason they asked for a transition period was that in some regions significant income shifts were expected, from heavily subsidised crops (cotton and tobacco) to other sectors (fruit & vegetables and/or sheep and goat meat).

**iv.** *Inequalities due to excessive funding of large-scale agricultural businesses should be mitigated.* Around 18% of the largest European farms are receiving about 85% of the total CAP payments. The current situation not only contributes to disparities within the agricultural sector, but also undermines public and political support of the CAP.

**v.** *The establishment of a flat rate payment for all MS is socially unfair and not feasible.* EU agriculture is characterized by disparities concerning production, infrastructure influencing agricultural sector's productivity and competitiveness. The last EU enlargement increased more these differences between EU MS.

**vi.** *Direct payments should be based on eligible rather than on total utilised area* All stakeholders were in favour of an *upper limit to the direct payments* that are received by a single farm. According to PASEGES, the co-operatives' confederation, this limit should be set at €100,000.

**vii.** *Maintenance of Less Favoured Area (LFA) payments and specific support to farmers in clearly defined cases.* Current measures relating to LFAs and mountainous areas should remain an essential part of the CAP after 2013. In addition, article 68<sup>4</sup> type measures to assist vulnerable sectors or regions ought to be continued although limited in order to avoid distortions to competition.

### **3.2. Rural Development (Pillar II)**

**i.** The position of the working group was strongly *in favour of reinforcing and expanding the rural development measures of the CAP*, especially since this Pillar covers new actions that are meant to deal with climate change together with the challenges arising from globalisation. However, any strengthening of Pillar II should take place by using additional funding from the EU budget and not by simply transferring resources from Pillar I.

**ii.** There was a *strong opposition to any increase in modulation* because this would result to a direct cut of farmers' income. Additionally, according to PASEGES, the main organisation representing them, farmers cannot maintain their competitive position, in the face of EU policy oriented towards opening the markets to imports, and, at the same time, meet high EU sustainability standards while direct payments were constantly cut.

**iii.** A review of the Pillar II measures planned for the 2007-2013 period revealed a tendency to *keep the implementation of measures as simplified as possible*. Whilst there are some merits to simplicity, some new elements introduced or emphasised by the Rural Development Regulation – such as measures related to forest areas, High Nature Value farming, Natura 2000 sites, and the implementation of the Water Framework Directive, have been practically ignored during the implementation of measures.

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<sup>4</sup> Article 68 allows all Member States to retain up to 10 per cent of their national ceilings for direct payments to provide support to specific sectors, for an expanded range of purposes

iv. *Coherence between the CAP and other EU policies* A need has been identified for more coherence between EU policies like both pillars of the CAP, trade regional and competition policy.

v. *Exploitation and promotion of renewable sources of energy through Pillar II measures.* Apart from wind and solar energy, energy from biomass produced by farming residuals, biogas and organic waste was proposed as a step forward.

### 3.3. Market Measures

i. *Continued need for public intervention.* Existing public intervention tools (market intervention, private storage, export refunds) should be maintained because they effectively reduce market instability and benefit both consumers and producers. The cereals' intervention was specifically considered as of significant importance since it provides an important safety net at times of serious volatility in the world market.

ii. *Establishment of an income stabilisation (tool).* Such a tool could provide compensation payments to farmers suffering from a severe loss of income compared to the same farmers' average income. The instrument would not guarantee a certain level of revenue, as it varies with the level of income over time; instead it should be aimed at minimising excessive income variability mainly due to price volatility.

## 4. The post November 2010 debate

After the decisions made in the framework of the 'Health Check' and before setting down any initial policy guidelines for this strategic sector, the Commission launched on April the 12<sup>th</sup>, 2010 a public debate on the CAP's future, objectives, principles and its contribution to the 'Europe 2020' strategy to inform the preparatory work for the decision-making process. In addition to how the CAP could contribute to the development of Europe 2020 strategy, the public debate was centered around four main questions:

- Why do we need a European Common Agricultural Policy?
- What do citizens expect from agriculture?
- Why should we reform the CAP and how can we make it meet society's expectations?
- What tools do we need for tomorrow's CAP?

This public debate stayed open for contributions until the 11<sup>th</sup> of June 2010.

Among the main ideas expressed in this debate were that future direct payments for active farmers could be based on basic income support, a mandatory '**greening**' component to enhance environmental performance, and an additional income support to farmers in areas with **specific natural constraints** (Less Favoured Areas) in the form of an area-based payment with optional **national top-ups** to apply on a voluntary basis. The 13-page text entitled '*The CAP towards 2020: meeting the food, natural resource & territorial challenges of the future*', entered the Commission inter-service consultation in November 2010, outlined three broad policy options based on a two Pillar structure – i) *Enhanced Status Quo*; ii) *More balanced, targeted & sustainable support*; iii) *Abolished market & income support*

If recent CAP and EU history could serve as a guide, the most likely outcome of CAP reform would have been something close to the status quo. And this was right what the agricultural community – DG Agri, most national and regional ministries of agriculture and Farmers’ and Landowners’ collectivities – were trying to achieve: a (slow) evolution rather than revolution. But the tectonic shifts in the EU polity provoked by economic crisis emerged as an important unknown factor in the reform equation: they might cement the CAP or tear it apart. While the preferences of the agricultural policy-making community have become reasonably clear, the final outcome seemed more open than ever.

A brief presentation of the reactions of Greek stakeholders on the Commissions’ ideas follows:

#### **4.1. Farmers’ organisations position**

The Greek farmer co-operative confederation, PASEGES like COPA-GOGEAS, followed a hard line. It proposed to maintain, and in many cases strengthen, most elements of the CAP, including export subsidies (until trading partners agree to eliminate their own export support mechanisms) and intervention buying (with higher intervention prices and broader product coverage). Direct income support should be limited to active farmers and rural development ought to be refocused on agriculture.

Also, PASEGES called for a ‘simplification’ of CAP and criticised the Commission’s main proposal as a requirement for *‘farmers to provide additional mandatory environmental services with no indication that additional funding will be available, to cover additional costs this will cause’*. *The result will therefore simply be a further weakening of farmers’ competitive position vis-à-vis third country imports and the world market.* Provision of public goods should be voluntary and be achieved through more attractive agri-environmental schemes. Furthermore, it demanded *‘new tools to deal with increased market volatility and risk and to strengthen the competitive position of farmers (e.g. safety nets, market intelligence, futures, promotion, risk insurance)’*.

#### **4.2. The standpoint of the Ministry of Rural Development and Food.**

Greece has never delivered a comprehensive position paper of its own, concerning the Commission’s communication of November 2010, but the Greek ministry’s position has been expressed, informally, at various occasions and working groups. Its position, in general, had not changed since the beginning of the debate of the new CAP reform. Its main priorities were: preservation of a large CAP budget and maintenance of a significant, fully EU-financed, first pillar; the continuation of market management measures with an introduction of new subsidies for risk management; aim at the maintenance of agriculture across the entire EU territory and the promotion of territorial balance of rural areas through agriculture. The ministry turned out to be very sceptical concerning the definition of **“active farmer”**. Should the active farmer be a food/fiber producer or just an active land manager? Despite all the rhetoric thus far, it was still far from clear whether certain groups of CAP recipients should actually be excluded from Pillar I. The difficulty for the Commission was that although further tightening of the definition could, in deed, exclude traditional CAP ‘villains’ – golf courses, companies etc. – but might also deny subsidies to those who manage land and allow biodiversity to thrive, but do not necessarily produce food/fiber or energy.

Moreover, a new mechanism to deal with market volatility was proposed in order to secure agricultural incomes either against market crisis or natural disasters.

Finally, among the three reform options set up, the Greek Ministry clearly rejected the third, ambitious scenario (*Abolished market & income support*). It had severely criticised option 3, making clear that this was just a scarecrow. The informal official opinion was that the scenario of a '*More balanced, targeted & sustainable support*' was the most likely scenario. Greening of direct payments should not significantly affect the direct payments coming from Pillar I since Greek agriculture in general is not very far from complying with all environmental requirements. It should be stressed that conversion of grassland to arable land could not be considered as an important threat since (a) the largest part of Greek grasslands are rough grazing commons already protected by national law, (b) Water is scarce in a considerable part of the territory, rendering thus the areas not very appropriate for intensive arable crops and finally (c) major part of the grasslands are in not easily accessible areas, where mechanisation is very difficult if not impossible (IEEP, 1994). Still, the Ministry expressed the strong conviction that Pillar I should be funded exclusively by the EU and it was against any reduction of Pillar I funding. Furthermore, a fair transition period for the establishment of the regional model was considered as essential, although it is accepted that this model could reduce inequalities. Finally, the ministry was against any increase of modulation and generally any transfer of funding from Pillar I to Pillar II.

#### **5. The actual debate (after the 12<sup>th</sup> of October 2011)**

An important milestone of the post 2013 CAP debate has been the publication by the Commission in June 2011 of its proposal for the next medium-term financial framework (MFF) covering the period 2014-2020. The Commission proposal envisaged that the overall EU budget (in commitment appropriations) would increase only slightly in real terms, this implied that the share of the CAP in the EU budget would fall from 39% in 2013 to 33% in 2020.

The debate on the reform of EU CAP entered a new phase in October 2011 with the publication of the Commission's legislative proposals for the CAP 2014-2020 regulations. The proposals took the form of four main regulations which will replace the existing ones governing the CAP, as follows:

- on direct payments;
- on rural development payments;
- revision of the single Common Market Organisation (CMO) and finally
- a horizontal regulation covering financing, management and monitoring of the CAP.

The main elements in the Commission proposals are summarised in the following Table 5.

**Table 5** Summary of the Commission Proposal for CAP reform

<b>Direct Payments</b>	<b>Market Measures</b>	<b>Rural Development</b>
<p>Convergence of direct payments across MS</p> <p>New basic payment to replace the Single Payment Scheme and the Single Area Payment Scheme.</p> <p>New “green” component of direct payments Better targeting of beneficiaries.</p> <p>New rules for coupled payments Enhanced cross-compliance rules</p>	<p>Confirmation of the abolition of milk and sugar quotas (with one year delay), and of vine planting ban</p> <p>Extension of the market disturbance clause to all commodities under the CMO.</p> <p>Measures to improve functioning of the food chain.</p> <p>Measures to support quality production</p>	<p>New rural development priorities to replace current axes</p> <p>Better coordination with other EU funds.</p> <p>New criteria to allocate Pillar 2 funds across member states.</p> <p>Simplification of supported measures.</p> <p>Enhanced risk management toolkit.</p> <p>European Innovation Partnership.</p> <p>Proposals on monitoring and evaluation</p>

### **5.1. Presentation by the press and internet media.**

The weekend before the official launching of the proposals by the Commission, a specialized weekly newspaper presented the main elements of the new proposals according to the information available then. Apart from the novelties that drew the attention of the journalists, special reference was made to cotton due to the obvious importance of this crop for Greek farmers while Rural Development measures have been presented in a very brief way, under the remarkable subtitle 'Programmes for cash'.

The main points stressed by specialised press and internet media have been the following after the official launching of the proposals:

Positive points identified by the specialised press and internet media included the fact that the proposed reduction of overall resource transfers to Greece has been quite moderate, since the method used for the conversion of payments across MS and regions has been rather favourable for Greece. Another positive element recognised in the proposals is the high degree of discretion left to MS in order to adapt the general policy framework to the individual MS context and particular regional and local characteristics. Furthermore the possibility for MS to use pillar II resources in order to contribute to insurance schemes has been pointed out as an other strong point of the proposals. The shift towards environmental friendly agricultural practices has been stressed by the non – specialised press .

As far as specific Common Market Organisations and products/commodities are concerned, the abolition of sugar quotas has been considered as abrupt, in contrast to the similar changes in the milk regime where the changes have been announced long ago. The specific aid to wine producers has been another element of the proposals mentioned.

The policy issues that seemed to be raising more concern has been the demarcation of the regions that are going to be used for the calculation and allocation of SFP rights in combination with the question of pastures and their inclusion in the 'eligible for support areas' category.

Finally, the press and internet media stress the importance of the active involvement of all administrative levels as well as of national, regional and local stakeholders in the process of designing and implementing RDP measures. The management of the RDP is considered a key point for the next programming period.

### **5.2. Reaction of the Ministry for Rural Development and Food.**

On the general level, an agreement on the principles of simplicity and flexibility of policy was expressed, suggesting that they have not been achieved by the proposals. The ministry, after stating disagreement to the reduction of the support for EU agriculture and rural areas, expressed its concern for the procedure of re-allocation of CAP resources among MS. A gradual process with an ample transition period was proposed in order to avoid drastic change bearing in mind that any linkage between public support to agriculture and the financial situation of a MS should be established on the basis of solidarity rather than as a threat for economic sanctions. The 'regional' model proposed was considered as a more socially fair approach reserving the final distribution among regions for the MS to decide.

As far as the 'greening' of the CAP was concerned, the percentage of the green component was objected as imposing disproportionate economic loads and increased

bureaucracy to farmers, already heavily burdened by previous policy measures. It is suggested that the whole process should be simple, easily comprehensible and applicable to all sectors, across all regions. Any environmental obligations should be imposed alternatively and not cumulatively considering the particularities of MS and regions.

A suggestion was made that the maximum amount where the reduction mechanism should initiate, have to be lowered, while the resulting resources should not be re-allocated within the same MS using cohesion criteria. The guidelines for definition of small farm holders and active farmers proposed by the Commission have been characterized as rather rigid, and, anyway should be left to the MS prerogative. Concerning the specific products and commodities of special interest for Greek agriculture, it was stated that support of particular agricultural sectors remains within the priority goals for the Ministry during the ongoing policy reform process. The main aim has been declared to be the protection of even small groups of competitive farmers such as producers of certain varieties of tobacco or cotton growers.

Finally, some general comments have been reserved for pillar II measures, preceded by a call to maintain the existing balance among MS, in the, otherwise deemed as necessary, resource reallocation process. The relative autonomy of MS in designing and implementing RD policy was considered essential as well as focusing towards integrated locally targeted approaches. Finally, the important role of risk management tools in the future was exalted.

### **5.3. Opinions expressed by the Agricultural co-operatives and other interest groups.**

The Panhellenic Confederation of Unions of Agricultural Co-operatives (PASEGES) in the immediate brief reactions to the proposals suggested that they failed to achieve the sustainability objectives set by the EC. Especially it focuses on the reduction of transfers to Greece (-5.3% in 2014 up to -9.1% in 2019) at the time when the agricultural income is declining. Increase or at least stabilization of the overall CAP budget in order to face the new challenges such as food security, social sustainability of the countryside, market volatility and climate change, is proposed instead.

The green element is criticised as complex, bureaucratic, difficult to manage and costly. It is therefore considered as a burden to competitiveness of farmers and a boost to third parties imports. The introduction of a green dimension, if it was considered inevitable, should be done at a lower percentage, in a simple and comprehensible manner, with no increase of red tape costs for neither farmers nor the control mechanisms. It is indicative that a fear was expressed that maybe farmers would have to pay a vast part of the 'green' element for expert advice. A proposal was made to start with a 10% and then gradually, when farmers would have been trained to the greening process, reach the level of 20%.

The adoption of the regional model proposed for 2014 was considered as socially fair. However, the demarcation criteria for the regions should create the less possible turbulence and promote the production process, without insisting in the mere accounting of gains and losses. Co-operative executives expressed fears for internal frictions due to differences between regions and crops. Suggestions for the demarcation of the regions include the notion of 'crop belts' instead of administrative limits or any other model.

The parts of the proposals related to young farmers and small holdings were thought as towards the direction of a more simple system hence positive, provided that the small holder is defined in the appropriate way.

The issue of the active farmer and the proposed definition was addressed as a top priority by the co-operatives. The percentage of 5% proposed is considered extremely low and a demand that the exact definition should lie within the MS competencies is reiterated. Both aspects of the active farmers issue i.e. its importance and the decline of EC proposal, were shared by PENA, the Union of Young Farmers Associations of Greece. The main position of the con-federation, has always been that any support should be directed towards active farmers i.e. those who produce agricultural products. They produce them for the economy and the society as a whole and they add value to subsidies. The co-operative proposal shall be to consider as an active farmer one that gets more than 35% of its income from selling produce, not from the support received.

Co-operatives agree with the capping of payments and its rationale. They suggest that the maximum limits should be set at considerably lower levels. While it is suggested that for the reallocation of the resulting resources, the dynamic modulation model should be used, i.e. part of the resulting resources should be redistributed across MS with cohesion and convergence criteria.

Another element that is worth stressing is that no reference whatsoever to RD has been made in the first brief reaction of the Confederation of Unions of Agricultural co-operatives.

#### **5.4. The views of political parties.**

##### **5.4.1. The view of PASOK, member of the Party of European Socialists**

The proposals of the Commission concerning small holdings, young farmers, areas with natural handicaps as well as the support for producers' groups, inter-professional organisations and other collective forms are considered as positive, by European Socialists in Greece. On the other hand a series of negative elements have been pointed out, such as absence of any provision for mitigating the effects of the current economic crisis, especially in the RD pillar. Another negative characteristic pointed out was the weakness of proposals for market regulation. The Socialist MEP, in addition to the challenges to European agriculture identified by the EC, added issues such as intensification of competition, the contraction of producers' share on the value added created in the agri-food market chain and rise of unemployment rates.

Addressing the Greek rural policy network, it was argued that exclusive focus on financial transfers, ignoring the pressing needs for structural changes, has lead to a non competitive and by all means (economic, social and environmental) unsustainable agriculture and an increasing detachment of farming from the consumer as well from the environment. Furthermore, it was noted that better administration of subsidies, avoiding thus financial corrections imposed to Greece, because of the systematic non compliance and breaching of rules, could cover, up to a significant degree, the additional funds claimed.

##### **5.4.2. The view of Nea Dimokratia, member of the European Peoples' Party.**



The conservative party, stressed the need for a strong CAP, given the increasing volatility of agri-food markets, the raising input prices as well as the reduction of farming income. The high reform potential in the Commissions proposals was appreciated, presenting a first class opportunity to re – align national policy objectives in order to co-ordinate them with the new EU regulatory framework. An optimistic view was expressed, stating that seizing this opportunity, could result to a sustainable and competitive agricultural sector, rendering agriculture as one of the factors that could enable Greece and Europe as a whole, to overcome the current economic crisis.

The claims expressed, to maintain the CAP2007-2013 national budget allocations, have been characterised as out of date, given the pressures towards transfer of funds to other EU common policies as well as re-distribution of CAP resources, especially from MS receiving well below the EU average support. It was suggested that per ha calculation of payments gives a rather distorted image of the situation of Greek farmers, especially since for these calculation instead of using the eligible area, the Utilised agricultural area, which is considerably smaller, has been used. It was argued that use of per capita support would give a more fair presentation of the situation in Greece. It was maintained, that ‘fair’ distribution does not necessarily means ‘equal’ distribution, disregarding existing inequalities and differences between MS. Instead, objective criteria should be used, e.g. the contribution of agricultural sector to GDP, the number and structural characteristics of farm holdings, farming land in LFAs and environmental sensitive areas, % of employment in agriculture etc.

Additional obligations imposed to farmers, mainly cross compliance, should not, in principle, hamper competitiveness especially since equivalent obligations do not apply to third party imports, while ‘Green payments’ should be simple to understand and implement, provide for adequate compensation and should not impose excessive administrative burden to either famers or national/regional administrations. Furthermore, it was suggested to widen the list of measures, adding specific proposals appropriate for the Greek situation, such as the maintenance of permanent crops e.g. fruit orchards, vineyards and olive groves which often constitute systems of high environmental value.

Imposition of a maximum per holding amount, re-introduction of partially coupled payments for some crops and special treatment of young farmers and small holdings, have been favourably assessed. On the issue of active farmer definition, albeit being sympathetic to the principle of targeting support, the opinion expressed was that the, rather lenient, definition of active farmer proposed might widen the range of beneficiaries instead of really serving towards a better targeting of professional farmers.

Alleging high price volatility and agricultural market instability as well increasing environmental/climatic risks, it was suggested that effective market regulation and risk management, crop insurance and income stabilisation tools, are essential. While referring to the proposal to include the farming sector in the recipients of the European Globalisation funds, it was suggested that the EU should rather better provide for the interests of European farmers when negotiating trade agreements with third parties.

Finally, short reference was made to Rural Development Policy measures. Without overlooking the increased burden for the administration, it was presented as a challenge for a more rational distribution of resources aiming at the development of the Greek countryside.

#### **5.4.3. The view of the Communist Party of Greece (KKE).**

The party's position is against the CAP, old and new alike, since they do not share the principles of CAP namely competitiveness, sustainability and fairness. This overall negative stance of the party officials concluded to a series of statements. Thus it is stated that these principles in combination with decoupling of direct payments from production favour big landowners. CAP lead to the destruction of small and medium holdings, promoted rural development for the benefit of food monopolies rather than for the needs of the people. As part of the overall EU 2020 strategy, CAP aimed at the concentration of land, production, subsidies and trade, exclusively to capitalist agricultural enterprises. Food was treated as any commodity, securing high profits to capitalists through the exploitation of poor farmers and employees – consumers. That was the rationale behind the proposal to support only active farmers excluding thus poor farmers obliged to keep off farm employment in order to survive. Profit oriented production generated food safety scandals which have been in fact crimes of food monopolies. An indicative case has been, according to KKE, the policy of no restrictions to Genetically Modified Organisms, although the latter engender immense risks for public health and the ecosystem.

The previous (2003) CAP reform was criticised as having caused a drastic reduction of farming income per capita, in real terms, as well as reduction in agricultural employment. In the proposal under examination, the reductions of both overall EU and National CAP budgets, were stressed and a further reduction of budget has been anticipated, through a transfer of funds from agriculture to the European Financial Stability Fund. The 'regional' approach suggested, would transform farm subsidies to 'land bonds', while it could lead to a reduction of average per ha payments by 27%. The green element of payments was considered as favouring big farms and the fact that small farm holdings were to be exempted from environmental obligations has been dismissed as irrelevant since small size farms, in general, have been ignored by the EU. Finally, the maximum amount per holding proposed was criticised as easily bypassed since big land owners could simply divide their holdings to smaller ones, hence ineffective.

#### **5.4.4. The view of the Coalition of Radical Left, member of the Party of the European Left (SYRIZA)**

The general comment of the party, was that in the midst of the acute economic, environmental and food crisis of capitalism, the Commission, following blindly the neoliberal doctrine, responded by suggesting further deregulation of agricultural commodity markets.

They did not share competitiveness as one of the main objectives of the CAP, especially when it is achieved through destruction of small family farms in order to secure benefits for big processing industries, food retail chains and exporting companies in detriment of consumers and public health. According to SYRIZA, the proposals have not addressed the issue of structural surpluses and deficits (especially those of the Mediterranean products), have left price formation in the hands of unregulated markets and international speculators, destabilising, thus, domestic markets and could promote dumping practices in detriment of the peoples of the South.

The communication defined the principles that, according to the party, should govern CAP. Namely: food should not be left as any commodity in the hands of speculators,

production should follow new ecological, social and developmental patterns. The list of principles was completed with food security and sovereignty.

In specific points of the proposals, the communication stressed the reduction of EU overall agricultural budget, referring also to an additional 10% of budget cut for direct subsidies to be transferred to pillar 2 payments. The argument of a need to move towards a more balanced allocation of direct support among MS, was discarded as pretentious, false and, eventually, resulting to flat rate reduction of payments, in all cases where farmers have been receiving a per ha support above the average, ignoring specific national characteristics of production. The downright definition of 'active farmer' and the insistence in a 90% of decoupled payments, were considered as aggravating the processes of abandonment of agriculture and depopulation of the countryside.

It was also argued that the compulsory application of the regional model, presupposed (a) existence of national strategies and sectoral policies, (b) will to reduce regional inequalities and (c) independence from business, petty partisan and clientelistic interests. All these prerequisites were considered as lacking. The introduction of a maximum per holding amount of support, was criticised, apart from the very high limit proposed, as, by no means ensuring necessary redistribution of funds in favour of small and medium producers. Instead, small farmers are 'tipped' with a minimal payment, in order to justify their exclusion from the SFP scheme. Support for young farmers and LFAs was discarded, in the first place for ignoring national specificities and secondly because they are considered an alibi for the abandonment of LFAs and the ageing of rural population

A valid environmentally friendly approach to farming would require measures for support of small and medium producers and not the introduction 'one size fits all' administrative practices, such as the 'greening' of the CAP payments. The latter have been criticized as not leading to a change of production paradigm.

## **6. Concluding remarks**

It seems that almost all participants in the debate share the views expressed by the Commission concerning the principles that should govern the CAP and the challenges faced by EU agriculture. The discrepancy comes from the left wing parties. They consider that competitiveness is not a legitimate principle.

Mitigation of inequality in support across MS and regions, although a universally accepted principle, is at the same time partially contested, by referring to national/regional specific characteristics that should be taken in account e.g. dependence on agriculture for income and employment, number of farms, structural particularities etc. Finally, there is a generally favourable opinion on the specific provisions for LFAs, young farmers, small holdings. Although the left wing parties consider them ineffective and pretentious.

Rural development measures, still small but not insignificant (almost 25%) of the overall budget, have not even been mentioned by farmers' representatives, barely mentioned by the press/internet media and superficially commented on by the ministry and the representatives of some political parties. This could be thought as the result, in the first place of the existing inertia in the policy debate, originating from the previously existing vast difference between first and second pillar fund allocation. Furthermore, one could argue that in fact the uptake of RD funds depends up to a significant degree, on the MS authorities' ability to design and implement the measures. And that creates a certain

reluctance to deal with this part of the proposals. The latter could be an explanation for the negative attitude towards the transfer of resources from Pillar 1 to Pillar 2 expressed by cooperatives and left wing parties. An exception to the generalised underestimation of RD measures has been the socialist MEP, who suggested that continuous focusing on direct payments and financial transfers by the farmers contributed to a gradual loss of competitiveness and, more importantly, to their alienation from consumers and markets.

As far as the demarcation of the regions is concerned, although there has been an almost unanimous acceptance for adoption of the regional model for calculation of direct payments, there have been a lot of reservations expressed, mainly concerned with the criteria to be used. The stance of the co-operatives has been that of maintaining existing balances among regions and crops/sectors. On the other hand, worries have been expressed that relevant decisions could be influenced by petty partisan and/or clientelistic interests and may result in some kind of gerrymandering of regions. Furthermore an issue that has been distinguished by the press, has been the inclusion of pastures within the eligible area.

Regarding the issue of eligibility of pastures, the main reasons for the alarm raised seem to be the following three: one is that such an inclusion could result to a drastic shift of resources from crop, especially intensive crop producing farms, to livestock farms and consequently from areas and regions highly depending on crop production to areas and regions where livestock production systems are prevailing. Under that light, the demarcation of regions, for the purpose of calculation of regional per ha amount of aid, obtains increased significance. A second reason has to do with pasture ownership, tenure and management patterns, existing in Greece. A large part, almost half, of the over 5 million hectares of pastures are public, belonging either to the state or to local authorities. However, even the ones owned by the state are managed by local authorities. A fear expressed, is that when obtaining grazing land is going to become a prerequisite in order to get the support, clientelistic criteria are going to prevail at the local level. Last, but not least, is the fear expressed that, bearing in mind the lack of a cadastre or another legally binding system of land use registration, the, ever conflictual in Greece, issue of land use is going to arise again.

The proposed definition of 'active farmer' has been another highly contested issue. All, but one, participants, suggested that the proposal for direct payments to reach a minimum proportion of 5% of the candidate beneficiaries' income, is not targeted enough. Especially young farmers associations are considering it a threat to professional, as well as a disincentive for the professionalisation of, farmers. The one discrepant, the Communist party, wholly disagrees with the idea of targeting only 'active farmers'. It is, according to KKE, a way to exclude small farmers forced to seek off farm occupation in order to survive.

Green elements of direct payments caused a wide variety of reactions. The press and the co-operatives, agreeing in principle, expressed fears that they could create an additional burden to farmers, reducing their competitiveness. The position of cooperatives was for a compulsory implementation of one or some of the relevant obligations and not a immediate application of the whole bulk. Co-operatives and MEPs suggested that the relevant terms should be adapted to local and regional circumstances. However, a statement made by PASEGES, complicates things since it is stated that the green procurement scheme should be applicable to all sectors and all regions.

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