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# EU POLICIES FOR OLIVE FARMING TOWARDS SUSTAINABLE PRODUCTION IN EUROPE

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Since the 1990s, BirdLife International and WWF, the global conservation organisation, have been voicing concern over the environmentally damaging trends in European olive farming, and calling for fundamental changes to the CAP market regime governing the sector. In 2001, a report was published, setting out the main environmental issues, and making detailed proposals for a complete reform of the subsidy system, in line with principles of sustainable, multi-functional agriculture.

Until now, EU and national decision-makers have failed to face up to this challenge. The only changes to the subsidy system (agreed in 1998) have been focused on administrative simplification and reigning back the dramatic expansion of the sector. Attempts to tackle environmental and social problems have been half-hearted at best, despite being apparent for several years. Decisions have been governed by the economic interests of governments and certain parts of the production sector, rather than by principles such as sustainability, equity or environmental integration.

In November 2003 the European Commission published proposals for a substantial reform of the olive regime that follow the pattern of the recent changes to the main arable and livestock regimes. The proposals include interesting opportunities for Member States to re-orientate the olive subsidies in favour of less intensive, environmentally valuable plantations. This paper discusses the Commission's proposals, and the main environmental issues, while reviewing the recommendations made by BirdLife International and WWF in 2001.



## REVIEW OF THE CURRENT SITUATION

The CAP olive regime is one of the few remaining “old-style” regimes, under which all subsidies are paid to producers in direct proportion to their annual output of olives and oil. There are many problems with this system, particularly the fact that it directs the majority of support to the most profitable plantations, while the traditional olive farms of most environmental and social value are increasingly marginalized.

The level of subsidy ranges from less than 100 Euro per hectare for the most traditional, low-intensity farms to over 2,000 Euro per hectare for the most modern, irrigated and mechanised plantations<sup>1</sup>. This situation is neither logical nor acceptable. The more traditional plantations, which tend to be smaller and receive little artificial inputs, also require more labour, providing employment in some of the most marginal rural areas in the Mediterranean countries. They also harbour important wildlife and landscape values. Yet the minimal support they receive means they are barely viable.

The more intensive plantations are of little or no nature conservation value, and tend to cause impacts in the form of soil degradation, depletion of water resources and pollution from agrochemicals. Increasing mechanisation has reduced their employment value. Such plantations are among the most productive in the world and have little need of CAP support, yet they continue to receive overly-generous subsidies. This has helped to increase their profitability and to drive their expansion. As olive output soars the sale price of olive oil tumbles, the viability of traditional groves in marginal areas is driven down even further.



*These wall to wall olive plantations in Andalucía allow very little room for wildlife (WWF copyright).*

Recognising these problems, the Commission initiated moves towards reform in 1997. Some steps were taken to limit expansion, by excluding post-1998 plantations from receiving the subsidy and by establishing national data bases in the form of Geographical Information Systems (GIS) to check that only eligible plantations receive CAP support.

In practice, however, a subsidy paid on olives delivered to an oil mill is extremely hard to police (there is no means of verifying which plantation the olives have come from), and there are doubts about the reliability of the GIS control system in some Member States. Also, some countries were allocated quotas to allow for new plantations to receive subsidy. The expansion of intensive olive plantations at the expense of semi-natural habitats has not stopped entirely, for example in Greece (Crete) and Portugal.

The option of shifting away from production support, presented by the Commission in 1997, was blocked by Member States, especially by Spain, the main olive-oil producer and the country with the most large-scale, intensive olive plantations.

Nonetheless, it was agreed that the current system would not be maintained beyond 2004. The latest proposals are therefore intended to introduce a new olive regime, legally required from November 2004 when the existing legislation expires.

<sup>1</sup> Olive farms vary enormously in productivity, from the most traditional, low-intensity groves (<500kg/year) to the most modern, irrigated and mechanised plantations (>10,000kg/year).



## THE COMMISSION'S PROPOSALS

The Commission's latest proposals for reforming the regime governing olive production are included in the proposals for two Council Regulations:

- the first amending Regulation (EC) N° 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers
- the second dedicated specifically to the common organisation of the market in olive oil and table olives and amending Regulation (EEC) N° 827/68.

For the olive sector, the Commission's proposals are:

- *Single Farm Payment (SFP)*: to incorporate 60 per cent of the current production subsidy into the SFP recently introduced for other agricultural sectors. Olive producers would continue to receive a payment equivalent to 60 per cent of the production subsidy they received during the reference period 2000 – 2002 (or 100% in the case of producers with less than 0.3ha). This payment would no longer relate to actual production, but would be converted into entitlements under the single payment scheme. The number of hectares to be included in the scheme would relate to those included in the olive Geographical Information System (GIS).
- *Olive Grove Payment (OGP)*: 40 per cent of the current production subsidy would be transferred into *national envelopes*. Member States would then define up to five categories, in accordance with a common framework, to classify priority olive grove features they wish to preserve, and which would benefit from the OGP. The payment would be distributed according to the area of olives shown in the GIS, ("GIS-hectares"). The common framework for the five categories would relate to landscape preservation, environmental, social and cultural concerns. The aim of the payment would be to ensure the maintenance of olive groves that otherwise might be abandoned.

A full analysis of how these proposals might affect olive farming and the environment would be complex. Several different scenarios would have to be considered, depending on how the new system were implemented by Member States. Such analysis is not possible in this paper, although it should be carried out by Member States before designing the most appropriate model of implementation. Here, we discuss the principal environmental issues and concerns related to the proposals, and make recommendations for resolving these issues.

## BIRDLIFE INTERNATIONAL & WWF VIEWS ON THE PROPOSALS

BirdLife International and WWF view as positive the direction taken by the Commission in its proposals, with certain caveats as explained below. The introduction of an OGP directed at marginal, low-output farms is particularly welcome. The benefits of moving a large proportion of the existing support into the Single Farm Payment are less clear cut. However, in both cases, much will depend on the approach to implementation in each country, as explained below.

BirdLife/WWF's recommendation is that the support going into the SFP should be paid at a standardised rate per hectare across NUTS2 regions, while the OGP should be used for areas clearly differentiated as marginal and with particular environmental and social values.



- Extensive olive grove in Alentejo (Portugal), with spontaneous vegetation between the trees. (WWF copyright)
- The blackcap (*Sylvia atricapilla*) (copyright S. Ottazzo/LIPU).



## **Single Farm Payment**

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Decoupling support from olive production is extremely welcome, in order to reduce the incentive for maximising output, for example through irrigation. There is little risk of production being abandoned in the higher-yielding olive groves, while those at risk of abandonment should be supported by the new OGP.

However, Member States should not base the SFP on the subsidies received by individual farmers in the proposed reference years. This would maintain high subsidies to certain extremely productive and competitive olive producers simply because they have received them historically, including some who use illegally-extracted water for irrigation to boost yields. The current differences in subsidy received by irrigated and non-irrigated olive groves, to the detriment of the latter, must not be fossilised in this way.

Furthermore, yields in traditional, non-irrigated systems are highly variable from year to year and from one area to another, depending on climatic conditions. Some producers would undoubtedly be disadvantaged by the choice of reference years, whereas others would benefit.



*The traditional olive groves represent an important habitat for many birds species in particular during the winter period (copyright A. Mazzone/LIPU).*

Producers converting to organic production during the reference years would be penalised especially hard, as yields can fall dramatically in the first years after withdrawing synthetic fertilisers and pesticides. These losses may be compensated by agri-environment payments at the time of conversion, but not necessarily thereafter (depending on the specific programme in each country and region).

These negative outcomes of reform can be avoided, as Member States have the option, when implementing the SFP, of converting existing subsidies into a standardised payment per hectare, calculated at the same level for all producers in a given region, rather than on the basis of the historical subsidies received by individual farms. This option applies to the olive sector in the same way as to the arable.

## **Olive Grove Payment**

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A critical issue for BirdLife International and WWF is that the OGP should be area-based and *not* a tree payment, as this would introduce new distortions into the support system. An area-based OGP allows for the significant variations in tree density between regions, that often are the result of different traditions and cultivation systems, but that should not be a factor in determining the level of CAP support. The Commission's proposal is for an area-based payment, although using a formula that takes account of the number of trees in each parcel. This is necessary in order to calculate the payment according to the area of land actually under olive trees, as shown by the GIS, and not simply on the basis of cadastral parcels that may cover several hectares but with only a small part under olive trees. Control and supervision of the Commission is vital in order to assure that Member States interpret this approach correctly and do not make payments in proportion to tree numbers.

Also of great importance are the criteria used by Member States to define the zones that should benefit from the OGP.

These criteria should include landscape preservation, biodiversity, environmental, social and cultural concerns and contribute to the maintenance of Natura 2000 networks. If loose definitions are applied, then the resulting zones may be very large, and the resources available for the OGP would be spread thinly, with little support for each farm. At the same time, loose definitions could result in large numbers of more intensive olive plantations being included in the zones. Given its limited budget, it is imperative that the OGP is focused on the most marginal and biodiversity valuable groves.

It is important, therefore, that special attention is paid to the way in which the zones are defined. Member States should be required to provide a detailed explanation and justification of the zones proposed, with information on the particular values of the olive groves within the zones, and the farming practices that are followed.



*Many regions are witnessing an intensification of olive production, driven by CAP subsidies. Typically, new rows of trees are planted between existing rows. This "densification" is made possible by the use of irrigation, as shown here in Alentejo (Portugal) (WWF copyright).*

The Commission proposes setting a common framework at European level to guide the categories that Member States will define. This common framework would be agreed through management committee procedure. This will preclude any stakeholder involvement in definition of the criteria. Furthermore, it will set a negative example to the Member States, who also have neither the obligation nor are encouraged to consult stakeholders in identifying or defining the categories for the OGP.

In order to ensure that olive farming in the selected zones delivers genuine environmental benefits, farmers receiving the OGP should be subject to specific olive-sector rules on Good Agricultural Practice and cross-compliance. In addition, there should be carefully designed and targeted agri-environment programmes for these areas, with sufficient budgets and promotion to ensure that a large proportion of farmers participate.

### ***The olive Geographical Information System (GIS)***

The olive GIS is a useful tool for ensuring that CAP funds are received only by eligible olive groves, and for redistributing part of the funds currently allocated to the more intensive plantations.

The Commission should undertake independent investigations to ensure that the control systems are effective. Failure by Member States to implement effective controls should result in CAP receipts being withheld from the governments in question.

The GIS needs continued development to increase its effectiveness. In the 2001 report, BirdLife International and WWF recommended the incorporation of environmental data, such as the vulnerability of soil to erosion and the presence of sensitive aquifers and important semi-natural habitats and species. By combining data sources in this way, the GIS would provide an excellent basis for identifying the categories and areas of olive grove that should receive the OGP. It would be possible also to identify areas of land where plantations should not be permitted, in order to avoid impacts on vulnerable bird populations, for example.



### ***Environmental Measures: Cross-Compliance & Agri-Environment Programmes***

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The introduction of compulsory cross compliance to the recipients of CAP olive support is welcome. Potentially, this mechanism could help to reduce the use of damaging practices, such as excessive use of herbicides, intensive soil tillage and illegal water extraction. It may also be a means of keeping marginal olive groves in good management, and thus avoiding the payment of support to plantations that are in a state of semi-abandonment. The EU should set a binding framework and guidelines for these rules, and ensure adequate compliance by Member States.

However, there are serious doubts over the ability of authorities to enforce cross-compliance rules: olive holdings tend to be small-scale and hence very large in number, whereas farm extension services in many olive regions do not have sufficient resources for visiting more than a tiny fraction of farms.

Similarly, the financial and human resources allocated to implementing effective and targeted agri-environment measures are still totally inadequate in many olive-growing regions. For example, there are large areas of olive monoculture in southern Spain, with major problems of soil erosion, degraded biodiversity and excessive water use. In the 2001 report, we reported that less than 4 per cent of the olive area in Andalusia was participating in the agri-environment soil conservation scheme as of 1998. This figure has now increased to just over 5 per cent, yet as much as 40 per cent of the olive area in this region is reported to suffer from serious soil erosion.

For traditional systems of high environmental value, the OGP should not be seen as a substitute for effective agri-environment measures. The new payment should contribute to the viability of production in these systems, but maintaining and improving their environmental values involves additional and significant labour costs, for activities such as maintaining stone terraces and production methods that benefit wildlife, that require financing through targeted agri-environment schemes. At present, such schemes are inadequate in many olive regions.

Clearly more funds are needed for agri-environment programmes. These should be established by shifting resources from Pillar I into Pillar II. This is achievable, as voluntary modulation above the rate agreed in the latest reform of the Common Agricultural Policy is possible.

The 2001 report explains in detail how cross-compliance conditions and agri-environment programmes should be applied to olive farming. It also makes recommendations for using other Rural Development measures as a complement to Pillar 1 and agri-environment programmes, especially for promoting improved farming practices aimed at quality production.



*The blackbird (*Turdus merula*) visits traditional olive groves during the winter (copyright Luigino Felcher/LIPU).*



## CONCLUSION

### SUMMARY OF BIRDLIFE INTERNATIONAL & WWF'S MAIN RECOMMENDATIONS

1. It is essential that member States implement the Single Farm Payment to the olive sector by converting the relevant proportion of the existing subsidy into a standardised payment per hectare for all farmers in a given region (i.e. the regionalisation option). This will avoid fossilising the current pattern of distribution that greatly favours the most intensive, irrigated groves, and will increase the support for less-intensive groves that do not qualify for the new OGP.
  2. Control and supervision of the Commission is vital in order to assure that Member States interpret the OGP correctly and do not make payments in proportion to tree numbers. Therefore the GIS-ha should reflect the area of land under olive trees. It should not be calculated in proportion to the density of trees.
  3. Provision should be made for increasing the OGP funding above the 40% of the existing budget currently proposed. Over time, a greater proportion of funds should be shifted from the SFP to the OGP.
  4. Stakeholders, in particular environmental NGOs, should be allowed to contribute to the definition of both the common framework for the categories of OGP payments at European level; and at national level at the identification and definition of the OGP zones.
  5. Member States should be required to provide a detailed explanation and justification of the proposed OGP zones, with information on the particular environmental values of the olive groves within the zones, and the farming practices that are followed.
  6. The GIS instrument should be developed to include environmental as well as agronomic parameters. It should then be used to help define the OGP zones and to monitor the environmental effects of olive farming.
  7. Member States should allocate more resources to developing comprehensive agri-environment programmes and to the effective implementation of cross-compliance. These measures should address problems caused by intensive production practices as well as contributing to the maintenance and improvement of environmental and biodiversity values in low-intensity systems.
  8. CAP support should be made conditional on Member States defining the maximum area of olive groves no later than 2004. Failure to comply should result in CAP support being withheld from these governments.
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