

C.E.D.R.



**European Council for Agricultural Law
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Commission II – Kommission II

**THE CONSEQUENCES OF THE NEW REVISION OF THE CAP ON
EXPLOITATION AND RURAL PROPERTY**

**LES CONSÉQUENCES DE LA NOUVELLE RÉVISION DE LA PAC
SUR L'EXPLOITATION ET LA PROPRIÉTÉ AGRICOLE**

**DIE AUSWIRKUNGEN DER NEUEN REVISION DER GAP
AUF DIE LANDWIRTSCHAFTLICHEN BETRIEBE UND DAS
BÄUERLICHE EIGENTUM**

National Report – Rapport national – Landesbericht

Norway – la Norvège – Norwegen

Norwegian report – Rapport norvégien – Norwegischer Bericht

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The Consequences of the New Revision of the CAP on Exploitation and Rural Property

Introduction

As an introduction, it is necessary to underscore that since Norway is not a member of the European Union, we do not take part of the CAP, nor the newly adapted reform of the CAP. Norway has an independent agricultural politics, with its own support systems and a border protection to the rest of the European countries. This mainly disqualifies us to answer this questionnaire. Instead of answering the questions, which would be impossible for us to do, we have just briefly summed up our *assumptions* about what effects a EU membership *could* have on Norwegian agriculture in general, and some examples of what effects the decoupling, as part of the CAP reform, could have. Since we are not EU members, and do not know how the terms for a membership would be, the following will of course only be assumptions, and some times even speculations about the possible outcome.

General effects on Norwegian agriculture of an EU membership

The conditions for the Norwegian agriculture within the Union would be the result of a bargaining between Norway and the EU. Our assumption is that we would get a deal somewhere at the scale between the deal Finland and the deal Sweden managed to get from their negotiations when they joined the Union.

Presuming this would be the case, the support for the Norwegian farmers would fall. Some assumptions conclude that the fall would be from around 11-12 billion Norwegian kroners (Nkr) today to around 8-9 billion Nkr (about 100 million euros), but these numbers are highly uncertain.

More significantly, however, is the fall in prices to the farmers, resulting from a EU membership. Joining the EU the borders to the EU market would be opened (almost 70 % of the imports on agricultural goods come from the EU), and the prices would be harmonised with EU prices from day one as a member. The EU prices to the farmers are on average 40 % lower than in Norway. Today Norwegian farmers get a total of 20 billion (Nkr) in income from selling their products. With a 40% fall in the prices, the total income would therefore probably fall to around 12 billion Nkr. Reduced costs would be expected to compensate partly for these drops in income, but still the general production costs in Norway would remain at a higher level than in the rest of Europe, due to cold climate, general cost- and wage levels and small scale production. For pig meat, as an example, the production costs would probably still be 3 Nkr higher than in Denmark.

Two examples of the price differences to neighbouring country Sweden: The milk price in Sweden was earlier this year 2,60 Nkr in Sweden, while the Norwegian price was 3,50 Nkr.

The Norwegian farmer got about 20 Nkr for a kilo of pigmeat, while his or her colleges in Sweden got only about 10 Nkr per kilo for the same product.

In general a EU membership would mean lower prices and lower and less flexible support schemes. This in turn would probably push the farmers in the direction of larger and more efficient farming, to compensate for lower prices and reduced support. In the long run agricultural production would probably be concentrated around the most efficient areas around the capital Oslo, Trondheim and Stavanger, while more extensive and small scale

farming in the northern and western parts of Norway would most likely struggle hard to survive. Some productions, as cereal and cheese, could be directly unprofitable.

Effects of decoupling

To our knowledge, few studies has of yet been made on how the most recent CAP reform would affect Norwegian agriculture. The below will therefore only be general assumptions and theories about different possible outcomes of the decoupling of the support. It will also be difficult to draw a line between the consequences of a EU membership as such, and the consequences of the CAP reform. Probably the consequences of a EU membership as such would overshadow the effects of the CAP reform.

In Norway, as in many of the EU countries, you would probably see a development going in two directions, following the decoupling:

On the one hand, you will have a group of farmers shifting to more extensive farming, or even abolish their production to minimize the costs. As they in the new system get no support directly coupled to production, they would keep the production at a minimum to get the costs down. This would in particular be the case for farmers living in unfavourable areas for agricultural production, where the costs of production are higher, and the income from the market is low, due to for instance lower yields. This effect would be particularly prominent in Norway, since the general costs and the wages are significantly higher than in other European countries. When the outcome from the market place gets extremely low, and the farmer can barely cover the costs, it is also a question if the farmer would have the motivation to continue his production, even though he gets partly compensated for the loss in income by decoupled support.

On the other hand you will probably have farmers in favourable areas of Norway who will expand the production and compensate the loss of income by producing larger volumes and intensify the production.

The decoupling would in this sense most probably have a redistributing effect between the regions of Norway, where the most favourable areas (around Oslo, Stavanger and Trondheim) would expand the production, while less favourable areas in the West and North would reduce the production. This effect would be intensified by the fact that many of the support systems aimed at supporting the less favoured areas are coupled to production. When this support is redistributed to all farmers, the most favoured in the old system will get less. But these redistributing effects depend on which model Norway would choose for decoupling, where a regional model would have the strongest effect in this direction.

The decoupling would also probably have a redistributing effect between the various productions. The productions with the highest coupled support today would get less as the support is distributed more evenly among the productions. In Norway this implies that the sheep- and cattle-production would loose support, while productions like pig and poultry and partly cereals could get more of the general support. This again could strengthen the effects of the regional redistribution, since sheep and cattle are more central to the agricultural production in the less favourable areas. But again, this depends on which model of decoupling Norway would choose.

To sum up, our guess is that a decoupling of the Norwegian agricultural support could imply a redistribution among the regions and between different kinds of production: Some farmers, mainly in the less favourable areas, would probably lower their production to cut the costs, while farmers in more favourable areas would most likely expand and intensify the production to lower the costs.

But again it is vital to underscore that this is only assumptions, and that the effects would highly depend on how the general conditions would be for the Norwegian agriculture within the European Union.