

C.E.D.R.



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Commission I

National Report – Rapport national – Landesbericht

The Netherlands

Hayo Bronkhorst

Councillor in the Court of Appeals in Amsterdam

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Commission I

Common Agricultural Policy, new rules of WTO and regional equilibrium

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1. The economic importance of agriculture in the economic context of the Netherlands (historical reasons, social structure, territory and its morphology). Strategic agricultural sectors.

In The Netherlands in 2004, out of a total surface of 3.552.000 hectares, in 54.4 % was in use for agriculture (1.933.000 hectares).

1.014.825 hectares were in use for the production of arable crops and horticulture (52,5%), 885.314 hectares sustainable grassland (45,8%) and 32.861 hectares sustainable plants(1.7%).

In 2005, out of a total number of 81830 holdings, 12.358 were farms, producing arable crops, mainly wheat, potatoes, sugar beet and pulse; 14759 were horticulture holdings; 41098 were holdings with grazing animals; 6083 were holdings with penned animals; 7532 were mixed holdings.

1714 holdings possessed 100 hectares or more, 7373 between 10 and 15 hectares, 4998 one hectare or less. 1959 holdings did not possess any grounds.

In 2005, the holdings contained cow-cattle (3798804, of which 1433202 for milk production (including calves) producing 10480000 tons of milk and of which 382455 cows and 828740 calves for meat production, pigs (1037516), hens (81155445) and (sheep 858084).

Horticulture is the biggest sector of Dutch agriculture. The Netherlands are the biggest exporter of flowers and bulbs. Cucumbers, tomatoes, lettuce, mushrooms, fruit, bell peppers and pot-plants are other important horticultural products.

In 1980 Dutch agriculture still comprised 144994 holdings; between 1980 and 2004 the part of the national income produced by the agricultural sector decreased from 13.3% to 3%.

Notwithstanding this development, the Netherlands are the second largest exporter of agricultural products in the world. In 1995 exports were at 46,41 billion Euros, most of them to Germany.

Dutch agriculture and environment

Dutch agriculture is also characterised to a large extent by intensive cattle and fowl-breeding (mainly pigs and hens, but also cows). The Netherlands have great difficulty in meeting the EU standards for ammonia emission. About 90% of the ammonia emission in the Netherlands is produced by agriculture.

Plans have been developed at governmental level to concentrate these activities on defined locations (agroclusters, agroparks and greenports), which could not only promote economic efficiency, but also reduce the use of energy and glasshouse emission.

Intensive animal breeding causing notably manure problems (ammonia emission) and risks of animal diseases (foot and mouth disease, Newcastle disease, swine-plague) have led to two plans for geographical restructuring of the sector, one in the province of Gelderland and another in the Province of Noord-Brabant.

Source: Annual reports of the LEI (Landbouw Economisch Instituut, Wageningen, The Netherlands)

2. Implementation of the CAP in the Netherlands during the last decades, the peculiarities of the political choices, and the main problems occurred.

The author conceives this question as referring to the administrative way the CAP was implemented in the Netherlands, and not referring to the contents of the measures adopted, since in principle the CAP is to a very large extent mandatory as its contents are concerned, whereas at the same time the principle of the unity of the markets, with as the underlying principle that all rules are to be applied throughout the EC equally, is one of the three main principles of the CAP.

As the administrative implementation is concerned: in the first years of the CAP, the Netherlands did not feel unusual about the CAP, since Mr Sicco Mansholt, the first minister of agriculture after the second world war was not only the first European Commissioner, but also modelled the Directorate General VI, agriculture, strongly after the Dutch ministry for agriculture. This has made amongst others, that until nowadays, this directorate general is the only one in the Commission with a legal service on its own.

Nevertheless the Dutch implementation presented and still presents some particularities, since the implementation has not been fully done in a centralised way by the Dutch ministry of agriculture: in the Netherlands. In particular, in the field of production and trade in agriculture corporate bodies implying obligatory membership, administered and financed by the affiliated members, are in function and decide on specific rules for the sector (e.g. quality rules). These bodies, "productschappen" and "bedrijfschappen" (product boards) exist for instance for arable crops, dairy, cattle and meat and fruit and vegetables. The Netherlands have invested these boards often with the implementation of (parts of) the common organisation of the markets, for instance the administering of export refunds, milk quota and the application of EC restructuring measures.

Furthermore for the execution of intervention measures the "Voedsel In- en Verkoopbureau (Bureau for the buy and sale of food), an agency with the mission after the second world war to secure the food situation of the country) was designated to execute EC intervention measures.

As far as the contents of the EC instruments are concerned, in the case of optional measures, it is to be observed that the directive on mountainous and disadvantaged zones has hardly been applied; the country does not practically have such zones. On the contrary, all options available the grant special quota under the milk quota regulations have been used.

Furthermore use has been made in the Netherlands of EC measures providing for financial support in the field of the setting up and improvement of producer groups (mainly in the fruit and vegetables sector).

3.4 The modalities of the CAP implementation in the Netherlands after the 2003 reform: why non-decoupled aids haven't been adopted though sometimes possible.

Non-decoupled payments allowed by the EC Reg. No. 1782/2003 (in its Title IV) and subsequent Regulations, which have been preferred.

a. By legal definition, the Dutch agriculture does not benefit from the quality premium for durum wheat (art. 72 of the regulation) and the hops area aid (article 110 n); moreover there is no rice production in the Netherlands. In 2006 non-decoupled payments, still applying in 2005 for sheep and goats, arable crops and dried feed, and beef and veal as defined in the regulation were abolished. The milk premium was integrated in the single payment scheme.

Non decoupled payments for protein crop, nuts, energy crops, starch potato and flaxseed were maintained in 2006. Moreover the slaughter premium for beef and veal were, maintained, this, according to the minister, for reasons of competition.

b.Regulation (EC) Nr. 1782/2003 is implemented by an instrument based on the Landbouwwet (Agriculture Act), the latter being the main instrument of delegation tot the government for the implementation of the CAP in the Netherlands. The actual instrument is a ministerial decree named: Regeling GLB inkomenssteun 2006 (Regulation income support CAP 2006).

The main executive is the DR (Dienst Regelingen van het Ministerie van Landbouw, Natuur en Voedselkwaliteit /Service "schemes"of the Ministry of Agriculture, Nature and Food quality), an agency of the Ministry.

However, HPA (Hoofdproductschap Akkerbouw/Main Productboard for arable crops) is responsible for the execution of the aids for starch potatoes and flax seed. Likewise the PVE (Productschap voor Pluimvee en Eieren /Productboard for Fowl and Eggs) is executive body for the slaughterpremium for beef and veal. The milk premium was in the hands of PZ (Productschap Zuivel/Dairy Productboard).

5. The relationship between the new CAP rules and the WTO Agreement on agriculture, in general

The new CAP rules are aimed to fit in the goals set at first in the Uruguay-round pursuing amongst others the liberalisation of world trade in the field of agricultural products.

In particular the frame agreement provides for a substantial reduction of the total level of trade-disturbing aids and the engagement to provide for a definition of non trade disturbing aids (green box). Aids linked to production are considered to be trade disturbing (blue, and later the amber box).

6. The "conditionality" in Reg. No. 1782/03 and the WTO's so-called "green box"

It can be questioned whether the conditionality-requirement is really essential to classify aids as always to be in conformity with WTO-agreements. Under Regulation No. 1782/03 beneficiaries are not always obliged to engage into the production of agricultural products, but they probably will, also with the help of the aids. The conditionality obligation could therefore give a "fumus" of conformity for aids in the amber box, in so far as they show that at their basis lie environmental and social objectives'.

7, 8, 9. Influence of the WTO rules on the government's choices about the national implementation of the new CAP rules.

Influence of the expected future rules (those currently negotiated in the Doha framework).

In positive case, in which sense there has been an influence? Should there have been?

The choices of the governments (apart from details concerning the integration and control system) are limited to maintain certain non decoupled aids (discussed under questions 4, 5 and 6), the fixing of a transitional period and the regionalisation of the ceiling under articles 41, 58 and 59 of the regulation. None of these latter have been introduced in the Netherlands. Neither has an explanation for this has been given by the government. Practical reasons of implementation (absence of important geographical economical and social differences) may therefore have been at the basis for these decisions.

On the other hand, the following can be remarked. The Dutch government has charged the Dutch LEI (Landbouweconomisch Instituut) at Wageningen to establish the effect of the WTO proposals for the Dutch economy and agriculture in particular (Annex to the letter of the Minister of Agriculture to the President of the Second Chamber of Parliament (Tweede Kamer, vergaderjaar 2002-2003, 25074 and 28625, nr 61)). From the LEI report, it appears that a substantial decrease of the export to third countries is to be expected especially in the sectors of cereals, sugar and beef (primary products and processed products), but that at the same time, as a consequence of liberalisation allowing for larger economies of scale, export opportunities will appear,. Agricultural revenues would however decrease considerably, mostly in the cereals sector. As far as the important dairy sector is concerned, after the 15% decrease of prices as a result of the agenda 2000 only a further 2% decrease is expected.

As a whole revenues in the primary sector would decrease 9%, in the total agricultural sector 6%. It has been also established in the LEI report, abolition of the blue box (aids linked to production) would not substantially affect Dutch agricultural income.

The latter might have incited the Dutch government not to opt for the non-decoupled aids allowed under the Regulation (except those mentioned under 3 and 4 above).

10. Effect of the participation of the EC into the WTO has (or had) on the regional equilibrium inside the EC area. Food trade issues which particularly interest the Netherlands.

No studies or reports have been done in The Netherlands on the subject. In the abovementioned LEI report it is expected that the increase in trade with third countries will lead to a reduction of intra EC trade; it could be said that by that, trade will follow its more natural patterns, with indeed logically as a result also a more natural intra-EC equilibrium.

This, together with price-decreases (predicted 49%) and the pressure on farming land to be used for housing, recreational and industrial purposes might lead to a quasi disappearance of the cereals sector in the Netherlands (this is a personal view by the author).

11. 12. Membership of a regional organization, or to a regional integration agreement, or to a regional cooperation agreement, or similar. Provision any special rule for agricultural trade by these organisations or agreements

1. The Netherlands are member of the Belenux Economic Union by the treaty concluded in September 1944. Articles 65 to 67 of that treaty provide for special rules on agriculture, reminding to some extent to the provisions in the EC Treaty. However the Benelux

provisions overtaken by the CAP. A Treaty of 1958 has ensured the compatibility of the Benelux Treaty with the EEC Treaty.

2. The Netherlands are part of The Kingdom of the Netherlands together with the Netherlands Antilles and Aruba on grounds of the Koninkrijksstatuut (Statute of the Kingdom). Article 37 of this statute provides for consultation by all three members concerning i.a. the promotion of effective social economic, financial and monetary matters, but no specific rules are provided for concerning agriculture. The Netherlands Antilles and Aruba hardly produce any agricultural products.

13,14,15,16,17,18. Bilateral commercial agreements involving agricultural trade.

The Netherlands do not take part in any international bilateral commercial agreements in the field of agriculture providing rules for the trade in agricultural products. Cooperation agreements with developing countries do frequently aim at improving agriculture in these countries. On the other hand, The Netherlands favour liberalisation of trade notably within the WTO because of the fact that developing countries can generate more growth by participating in the world trade and by further integrating in the world economy (Instruction of the Dutch government for the delegation of the Kingdom of the Netherlands to the sixth Ministerial Conference of the WTO (Hong Kong, 13 to 18 December 2005) (records of the Second Chamber of Parliament 2005-2006, 25074, nr 104)

18. Did your country work out some proposals for the new Round of multilateral negotiations, in order to reform some parts of the Agreement on Agriculture? Did these proposals somehow take into account the rights and the obligations – concerning agricultural trade – deriving from the regional agreements or organizations to which your country is party?

Such proposals or initiatives were not done by the Netherlands. The country has officially adopted the course of loyal cooperation within the EU framework. The following parts of the abovementioned instruction of the government to the Hong Kong negotiations may illustrate this:

At one hand, The Netherlands recognise that it profits from open boundaries, and that it benefits above average by a worldwide liberalisation of trade, amongst others through strong sectors like transports, logistics and processed food. The Dutch industry operates on a world market, and benefits from more space in international entrepreunering. Especially in the services sector Dutch undertakings made considerable investments abroad (E 258 billion) Moreover under the Dutch constitution it is aid down that The Netherlands aim at a strengthening of the international legal order, of which WTO is an important economic component.

In the course of the latest Hong Kong negotiations, the Netherlands took no special initiatives, but instructed the Dutch delegation that notably against this background the main objectives of the forthcoming WTO round would remain:

- Reinforcement of WTO as the hub of the system of world trade
- Continuation of the liberalisation of trade in the interest of all parties
- Further integration of developing countries in WTO and world trade
- Recognition and implementation of the tangent planes with other policy fields (notably environment and other non trade concerns)

Above all, it is mentioned that the trade policy belongs to the powers of the EC on grounds of article 133 EC Treaty, and that it is the European Commission which acts as spokesman and

negotiator, on the basis of the guidelines adopted by the Council since September and October 1999, and confirmed by the conclusions of that Council on 18 October 2005.

The (Dutch) delegation will assume the position of a loyal partner in the European context in view of the important global interest of an ambitious and well balanced result. The delegation will contribute where it can to a successful course of the conference.

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(Instruction of the Dutch government for the delegation of the Kingdom of the Netherlands to the sixth Ministerial Conference of the WTO (Hong Kong, 13 to 18 December 2005) (records of the Second Chamber of Parliament 2005-2006, 25074, nr 104)

Summary

1. In The Netherlands in 2004, out of a total surface of 3.552.000 hectares, in 54.4 % was in use for agriculture (1.933.000 hectares). In 2005 a total number of 818130 holdings existed. In 1980 there were still 144994 of them. Between 1980 and 2004 the part of the national income produced by the agricultural sector decreased from 13.3% to 3%. The Netherlands are still the second largest exporter of agricultural products in the world. Dutch agriculture is also characterised to a large extent by intensive cattle and fowl-breeding (mainly pigs and hens, but also cows). The Netherlands have great difficulty in meeting the (EU) environmental standards in particular for ammonia emission.

2. Non decoupled payments for protein crop, nuts, energy crops, starch potato and flaxseed were maintained in 2006. Moreover the slaughter premium for beef and veal were, maintained, this, according to the minister, for reasons of competition. The milk premium was integrated in the single payment scheme.

3. It can be questioned whether the conditionality-requirement is really essential to classify aids as always to be in conformity with WTO-agreements. Under Regulation No. 1782/03 beneficiaries are not always obliged to engage into the production of agricultural products, but they probably will, also with the help of the aids. The conditionality obligation could give a "fumus" of conformity for aids in the amber box, in so far as they show that at their basis lie environmental and social objectives.

4. It has been calculated, that as a consequence of the new WTO rules, in The Netherlands as a whole, revenues in the primary sector would decrease 9%, in the total agricultural sector 6%. It has been also been calculated that abolition of the blue box would not substantially affect Dutch agricultural income.

This might have incited the Dutch government not to opt for an important application of non-decoupled aids.

5. In The Netherlands, one is not sure about changes in regional equilibrium in the EC as a consequence of the new WTO regime.

6. The Netherlands do not take part in regional agreements or organizations involved in agriculture.

7. The Netherlands are a loyal supporter of the WTO negotiations as led by the European Commission