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CLOSING ADDRESS

RURAL DEVELOPMENT IN THE MEDITERRANEAN REGION IN A CHANGING TRADE AND CO-OPERATION ENVIRONMENT

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MR. CHAIRMAN,

Let me start by thanking CIHEAM for offering me this opportunity to make the closing address to this very distinguished scientific audience.

As you mentioned, I cannot fully integrate with the subject discussed in this conference up to now; my current involvement with public and private investment policy allows me a picture of Greek agriculture with respect to its structural problems, policies and prospects, but to a much lesser degree, provides me with an overview of Mediterranean agriculture as a whole. Thus I asked the organisers if I could concentrate on Greece a little bit, rather than on the more general subjects of this conference and since I got an affirmative answer, I was encouraged to go ahead with this talk. I hope that some of these characteristics are quite typical nonetheless of Mediterranean agriculture and thus some broader conclusions about other countries can also be drawn.

Firstly talking about Greek agriculture we must have in mind that we are talking about two separate worlds: cultivation in the plains and cultivation in the mountainous rural community. These two worlds face different problems, very different prospects and thus different solutions are necessary. In fact, as time goes on, these differences become more and more intense. Concerning agricultural activity in the plains, many of the old problems - the so called traditional problems - have been overcome. Some, of course, still survive, while unfortunately, many new ones have been created.

In the last twenty years, we have experienced a high rate of intensification of cultivation modes linked to a rapid increase in irrigated areas, high usage of chemical fertilisers, and full mechanisation. All these lead to a quantitative expansion of output, very significant increases in income, boosted by high Common Agricultural Policy prices; a shift to a more dynamic system of cultivation and also to more dynamic products, the market prospects of which however have often proved rather short-lived, and finally a curtailment of the rate of exodus of the agricultural population, which of course has also been helped by persistent urban unemployment. Some of the old problems, of course, are still here: the small average size of holdings, the aged labour force, low levels of professional training, and inefficient structures of product distribution to the final consumers and to the food industry.

Finally, as a result of the previously mentioned changes, some new problems have appeared; environmental degradation as a result of excessive use of fertilisers and pesticides, irrational usage of water resources, overinvestment in tractors and other mechanical stock which leads to debts that often cannot be repaid, oversupply in already glutted European markets which leads to serious price cuts, mainly through the system of co-responsibility levies; and finally, escalating land prices as a result of competitive land uses, especially due to the tourist industry and urban expansion, but also because land has always been viewed as a hedge against an inflationary erosion of capital.

On the other hand, mountainous agriculture does not seem to have resolved any of its traditional problems; on the contrary, in many cases, its survival is now highly questionable. Demographic depletion remains high and, with a few exceptions, economic desertification seems inevitable.

Apart from the environmental, economic, and cultural losses from this process, that few have dared to measure, the main course of all this is the inability to provide alternative employment opportunities and income sources to mountainous population and, even more, to provide access to modern amenities.

This was the situation when the Common Agricultural Policy restructuring of the early 1980s and the more recent new GATT were agreed; nonetheless these legal interventions simply harmonise public policy and institutions with what is already a technological reality - cultivation technology, technology and infrastructure for commercial transports, new marketing systems and distribution networks lead to the inevitable opening up of agricultural markets which made CAP restructuring and the new GATT a necessary normalisation. A long term trend of lower unit prices coupled with the withdrawal of state subsidies and inputs are the main characteristics of the new era.

In parallel, a stronger link between prices and quality standards can be seen as consumer awareness increases given the wider choice than an open market provides. Finally, price movements should become less erratic as alternative supply sources become available. However, the impact of GATT may affect agriculture in a less direct way through developments in the secondary sectors.

As a result of major restructuring and modernisation initiated by the most affected sectors such as textiles and clothing sectors which used to be traditional employers of part-time farmers and family members in Greece; a further loss of industrial jobs is expected. Thus the opportunities for alternative jobs for part-time farm families' members become even more limited. Therefore the questions are: what are the challenges ahead and what should be the target of structural policy in the rural economy?

The answers are by no means easy. The solutions are short term and flexibility and immediateness in the response to change are necessary prerequisites. Given the differences between low land and mountainous agriculture, the structural approach must also be differentiated.

By abandoning the target of a quantitative expansion of production and assuming a relatively stable labour force in the plains, income improvements can be achieved by increasing the value added per unit of outputs.

There are several ways of achieving this, such as:

- boosting new consumer tastes, especially for ecologically-cultivated products for which upper income groups would be persuaded to pay higher prices;
- promoting light processing of raw products on the farm or in co-operatives, including methods for standardisation, quality control, origin labelling, and so forth;
- providing alternative income sources for the family members of farmers within the primary sector, e.g. raising pharmaceutical plants;
- promoting research in appropriate farm technology for small holdings so that capital costs can be reduced - indeed we lack the appropriate technology for the cultivation of the small holdings;
- modernising co-operative marketing structures and offering the appropriate professional training to safeguard their success in an extremely competitive environment - here again, due to lack of professionalism such co-operatives very often fall victim to this competition;
- and last but not least, promoting the appropriate zoning and land management strategies in order to protect farm land from price escalation through demand for alternative uses.

I have not mentioned agro-tourism, which has been an all-time failure in Greece. There are many reasons why, but I do not dare to suggest them anymore.

With respect to mountainous agriculture, I would say that the term « mountainous agriculture » includes the seed of failure and integrated rural economy, rather than agriculture offering multiple part-time employment instead of monocultures, seems to be the only hope of saving what can still be saved. Husbandry like industry, handicrafts and, of course, tourism in this case are some of the alternatives. Even more important, however, is the infrastructure network covering social, cultural, amusement and transportation needs and bringing them up to modern standards.

Given the very high cost of mountainous infrastructure, due to the terrain but also the low density of population, resources can hardly be sufficient unless coupled with active town planning and incentives for population regrouping - which is of course politically very difficult - so as to eliminate the very small communities, which are doomed to disappear anyway in the next twenty years or so. The thin spread of marmalade will otherwise have little effect.

Faced with these inescapable realities about a sector under hard pressure, the Common Agricultural Policy responded by cutting surplus generating prices and substituting them with direct income subsidies.

Allow me to close this talk by expressing serious hesitation about the relativity of this approach for the small Mediterranean farmer. Grants for early retirement, shifting to afforestation, and abandoning cultivated land, may be a welcome income supplement to the big farmer who can spare a few hectares but otherwise continue his activity on the remaining lands. For the small farm holder of five or six hectares, it is a non-option, unless he is already prepared to abandon agriculture for good, in which case the policy is superfluous. But for someone willing to continue and especially the young farmer such an obvious, direct and unpretentious manner of a livelihood depending on state benefits is viewed as being little different from living on the dole. Thus, structural interventions remain of paramount importance and urgent need.