



EUROPEAN PARLIAMENT

Paolo De Castro
CHAIRMAN

COMMITTEE ON AGRICULTURE AND RURAL DEVELOPEMENT

**The Common European Agricultural Policy and the
Agriculture Higher Education System**

6th Conference of the USAMV Union of Romania

I am honoured to be here today. I want to thank the organizers and the Romanian government representatives gathered here today.

I also want to thank the academic authorities of the prestigious University of Cluj Napoca for giving me this extraordinary day.

The academic environment is very familiar to me, this one in particular. I say that because I also work in a Veterinary Faculty, in Bologna, where I teach economics and agricultural policy.

A final special thanks goes to Dacian Ciolos, who has the responsibility to carrying out the Common Agricultural Policy reform in a very particular historical moment.

I believe that the title chosen for this day of reflection and debate is consistent with one of the most important European agricultural system needs: to invest in knowledge to be more competitive and closer to the needs of society.

I want to emphasize **three major issues** that have changed the scenario in which the reform will take place.

The first is related to the institutional framework in which the Reform takes place.

On this field, several changes make this ongoing CAP reform different from the previous:

- **The enlargement process** has led to a new Europe, with 27 Member States, and soon we will be 29. This changes the balance of the decision-making process and requires a greater responsibility because we are talking about a European agricultural system that is full of differences and peculiarities. To build up an agricultural policy that can take into account these differences is a big challenge, to establish a perspective capable of including expectations and needs of various member countries will require an extraordinary political effort.
- I believe that in this work, a main contribution can come from the **new decision-making process**. With the recent coming into effect of the Lisbon Treaty, the European Parliament assumes an active role in the legislative process, not merely consultative as before. This new decisional model is based on the principle of parity between the European Council and the European Parliament, which is a direct expression of the European citizens. I believe that it is strengthening the democratic profile of the EU.
- In addition, Europe is **enlarging the range of its responsibilities** and this requires new financial resources. Member States, in this economic recession, are reluctant to spend more for Europe and this produces pressure on the EU budget in general, and on the CAP resources in particular. The **second reason**, concerns the role that agriculture plays in favor of European citizens: If we look at the objectives of the European **2020 Strategy**, we may note that they are all more or less significantly related to the role that the agricultural system will play in the coming years.

The Europe 2020 Strategy comprises three priorities:

- **smart growth**, through the development of an economy based on knowledge and innovation;
- **sustainable growth**, through the promotion of an economy that is "greener", more competitive and more efficient in its use of resources;
- **inclusive growth**, by encouraging a rise in the employment rate and by fostering social and territorial cohesion.

These are goals to which agriculture and rural areas can contribute decisively. The value of goods and services provided by agriculture is today essential to ensure the sustainability of the future economic and social development of our society. I mean **environmental and social values that, as well as economic ones, are strictly linked to the agriculture and forestry sector.**

The **third reason** that makes the next CAP reform a very special one, concerns the **global arena in which the Reform process takes place**. Many have called the current situation “**scarcity scenario**”. Growth processes are applying greater pressure on natural resources, reducing the

reactive capacity of ecosystems. Further, new attention has to be drawn on climatic conditions. Food, water and energy run the risk of becoming scarce resources as consumption pressure grows together with the world's population and wealth: **a scenario of environmental vulnerability that translates into economic and social vulnerability** and into exceptionally wide-ranging risks for future generations.

In this context agriculture appears as a unique economic sector due to its close links with the vulnerabilities we have mentioned: in the fundamental phase of the food chain, agriculture plays a decisive role **in responding to the growth in food demand**; as the largest user of **water resources**, agriculture affects both water availability and quality; as an activity involving the management of over 35% of the land surface (without counting forest land which occupies a further 32%), it plays a fundamental role in **preserving and regenerating natural resources and in combating climate change**.

If we agree that these challenges are strictly linked with land management function, then, **promoting the defense of farm production potential becomes one of the basic tasks of our work as policy makers**.

Let's see more thoroughly what are the challenges we are called to face. The higher spending power of new sectors of the world's population will produce a substitution effect in the consumption patterns, increasing the demand for higher value goods, whose production and use generally have a considerable impact on the ecosystem.

The **change in lifestyles** will be accompanied by a further rapid process of urbanisation. **Increases in the urban population** are forecast to exceed the net growth in world population, by virtue of considerable migration from rural areas, which will affect significant proportions of the population in developing countries and emerging economies. It has been predicted that as early as 2020 most of the population in these countries will live in cities, whereas at present, settlements in rural areas still play a predominant role.

Various sources show that population growth will be matched by an increase in food demand such as to require **about twice the current food production**. In this context we are called to address not only the problem of **global food security, but also a problem of industrial and agricultural policy**.

On one hand this is leading us towards a perspective of **great volatility** in the agriculture commodity market. The frequency of price shocks is already high, increasing exposure to income risk for farmers and leading to farm closure. This eventuality is **not only a threat for the**

farming system but also for the production of environmental and social public goods around Europe.

On the other hand, also **the food industry is exposed to various risks**. The largest one, which is already starting to show its effects, is **the certainty of supply for agricultural commodities**. Actually, if a few years ago the food industry showed little interest in the CAP, today, on the contrary, the industrial system calls for a strong agricultural system, able to guarantee certainty of supply of agricultural commodities at stable prices.

So, the new scenario involves the entire supply chain, including consumers.

A clear demonstration of the great changes taking place is the rapid rise of farmland acquisition in developing countries. This is known as *landgrabbing*, a process which leads richer countries with raw material shortfalls to acquire new large areas to be farmed in the poorest countries to produce strategic food commodities. In a situation of yield and price instability, food importers with constraints in terms of possible farmland and water resources, but rich in capital, are developing investments in foreign land capital. The United Nations estimate that in the past two years about **40 million hectares, equivalent to the total farmed area in Europe**, to be used for agricultural production have been acquired in developing countries. The Gulf States, China, Korea and Japan have been the protagonists of such initiatives, whose main targets are African regions.

The situation we are experiencing has implications within the European Union but also at global level.

At EU level the ongoing reform process faces the challenge of **producing more polluting less**.

Only with a system of competitive and efficient farms it is possible to increase the production capacity of EU agriculture and, at the same time, enhance the level of public services linked to agricultural land use management. Otherwise, the achievement of this objective would definitely be compromised.

The progressive reduction in the importance of market regulation mechanisms and the process of trade liberalisation have contributed rapidly and significantly to making the EU market permeable to farm products from all over the world. European farms are currently experiencing the weight of competition both from developing countries, which base their competitive strength on low production costs, and from many more developed countries, whose agricultural economies rest on organizational sizes such as to confer significant economies of scale. By contrast, **much of the European agricultural system experiences such organizational and structural weaknesses** as to expose, in the absence of public protection, most of the current

productive farms to future risks of economic marginalisation and production closure. Therefore it is indispensable to privilege more efficient organizational models able to enhance the value of European agro-food production on the markets.

In this perspective, both the Commission and the Parliament are building a **new generation of policies for agriculture and rural areas**.

Now is the time to build a long-term horizon for EU public support to accompany the ambition of our society to build a prospect of economic and social sustainability in the awareness of the importance that the farm production system and rural areas play in this perspective. In this context, we need to update the tools that are actually envisaged in the CAP framework by underlining the link between the CAP and European citizens.

The responsibility of the European institutions is today considerable: the definition of a renewed framework for action that historically has been the most important of European policies is an essential task. In the undergoing transition that characterizes our time, agriculture and rural areas may represent a store of value and convenience which are essential to building a future of development and sustainability for the whole European society. These should represent the future pillar of future public intervention aiming to support the primary sector.

In this direction we must work to build a renewed CAP that would emphasize and promote the multifunctional role of agriculture and rural areas.

As the world leader in agro-food production, Europe has a major global responsibility in designing future agricultural policies. The future organization of the CAP will condition the development of other international agricultural policies and will be decisive in defining future agreements on international trade.

Today, as citizens and policy-makers, we are called upon to be concrete with our vision of the future. Defining how the CAP will evolve after 2013 is an important step to give an appropriate response to the challenges faced by Europe and the whole world.

Some themes, such as food security, require **global responses** today. Europe must lead an international process that will write **new rules**, revise the traditional approach of the **WTO**, in order to ensure stability of agricultural markets and **reduce the weight of the threat of food insecurity**.

It is clear that in this framework, **training, research and innovation will play a key role.**

The Europe 2020 Strategy outlines the ambition of the European Union to develop as **knowledge based economy**. At the same time we know that feeding a future global population with a sufficient diet **calls for considerably higher primary food production**. Increasing the agricultural production area is hardly an option to tackle this challenge. The most fertile lands are already under cultivation. In line with these concerns, **a new common agricultural policy must be based on knowledge and innovation.**

Investing in research, in knowledge diffusion, and in service structures, as well as incentivising access to organizational and process innovations, is today a necessary condition to respond to market and social needs.

In general, **widespread access to innovation will be a condition *sine qua non* for competing on the global market and, at the same time, increase the level of public goods generated by agriculture.**

I agree with the initiative of Dacian Ciolos, that in the Communication on the future of the CAP, has stressed the importance of research and innovation for the future of the European agricultural system.

The EU's current commitment to promoting competitiveness, especially through specific measures contained in rural development programmes, should be reviewed in light of the new priorities posed by climate change, with a special effort to support innovation and knowledge. This is an objective to be pursued with great determination, given that these contexts require suitable structural and organizational strength.

In this perspective, the role of public intervention may be fundamental to ensure that European farmers gain access to innovation at feasible costs, both through direct intervention and by encouraging systemic actions.

The ability and incentives of the agricultural system to cooperate with the entire research system will determine the future of our agriculture, the future of its economic role, the future of its role in the provision of public goods.