



Paolo De Castro
CHAIRMAN

COMMITTEE ON AGRICULTURE AND RURAL DEVELOPEMENT

FORUM FOR THE FUTURE OF AGRICULTURE

Afternoon hard talk - CAP reform for better farming

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Europe is reforming its Common Agricultural Policy in a historical period that is very particular. For three main reasons:

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

On this field, several changes makes this reform different from the previous:

- The enlargement process has led to a new Europe, with 27 Member States. This, changes the balance of decision-making process and puts the issue of balancing the financial resources between Member States
- 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
- Europe is enlarging the range of its responsibilities. This requires new financial resources and Member States are reluctant to spend more for Europe, in this period of economic recession. This produces pressure on the CAP budget

The second reason, concerns the role that agriculture plays in favor of European citizens. 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: environmental and social values, as well as economic, strictly linked to the agriculture and forestry sector.

The third reason concerns the global arena in which the Reform takes place. Many have called the current situation “scarcity scenario”.

Growth processes are applying greater pressure on natural resources. Water, energy and also food, run the risk of becoming scarce resources. Population growth in 2020 will be matched by an increase in food demand that require about twice the current food production.

In this scenario, we should also consider the impact of the greater future volatility of food markets. The frequency of price shocks will be high, increasing exposure to income risk for farmers and leading to farm closure. This eventuality is not only a threat for the farm yield potential, but also for the production of environmental and social public goods.

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

At political and institutional level, this means that we need suitable policies and adequate resources. We must be able to make the governments and the citizens aware of the contribution that agriculture can make in reaching the objectives of the 2020 Strategy. It also means, undoubtedly, translating such aspirations into a CAP which is more modern and closer to the need of the European citizens. It appears evident that this prospect would be hard to achieve if public intervention does not take into account the economic and structural

peculiarities of European agriculture. We should consider not only the environmental and social opportunities arising from the agricultural sector, but also the constraints and threats to which the system is exposed.

On this basis and taking into account the general framework outlined by the Commissions Communication on the future of the CAP, I will give you some flash on the main questions of this panel session.

1. If we want to enhance the contribution of agriculture to creating public goods, including food security, we must ensure its presence and economic vitality. This has to be done by improving efficiency and competitiveness. But also with great attention to the question of risk management, especially market risk. In this view I think that we have to continue to ensure income support for farmers. On this subject I also want to launch a provocation: the high price volatility is reflected in the income of farmers, that is fluctuating from year to year. Then, wouldn't it be more consistent and effective with a more flexible mechanism for income support than the current? Why not consider a mechanism able to connect part of the direct payment to the market commodity price, as the U.S. counter-cyclical payments? This could connect public support to the real needs of farmers. It could be an important step towards making the system of direct payments more target than now, starting with the economic component of the direct payments.

2. The first pillar budget should be more equitably distributed. But we have to take into account the economic diversity affecting European agriculture. We can do it, reducing the extent of the current distribution of direct payment across Europe, by using indicators able to reflect the diversity of the farming costs. The first pillar should also be more flexible in its implementation. I think, for example, that the issue of capping should be managed by Member States, as well as the possibility to cut payments that are below a certain level (especially those closing to their administrative cost). Finally, consistently with the economic and social differences affecting the European agriculture sector, Member States should define areas and sectors at risk in which to provide coupled support, within the current WTO limits.

3. The diversity across Europe influences also the challenges facing farmers. The fight against climate change, the action addressing water saving, the support for biodiversity and landscape, are challenges that have different magnitude across Europe. Water saving, for example, has different weight in the Mediterranean Countries than the others. I believe that we must be able support actions for public goods consistent with local needs, but without increasing bureaucracy. The solution might be to expand the current cross-compliance, including a set of measures from which Member States can choose the best suited, in function of the different needs affecting different territories.

4. Investing in research, in knowledge diffusion, and in service structures, as well as incentivising access to innovations, is today a necessary condition to respond to market and society. In general, widespread access to innovation will be a key for competing on the global market and, at the same time, increase the level of public goods generated by agriculture sector. The future CAP must provide incentives to make and introduce innovations.

5. Finally, with respect to the question “Should the CAP’s original objectives still form the basis of its reform?” I think so. They are still relevant and today we have to rethink them in the light of the new scenario.