



# HOUSE OF LORDS

Unrevised transcript of evidence taken before

## **The Select Committee on the European Union**

Agriculture, Fisheries and Environment (Sub-Committee D)

Inquiry on the

### **INNOVATION IN EU AGRICULTURE**

*Evidence Session No. 6. Heard in Public. Questions 198 - 222*

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11 am

Witnesses: Mr Paolo De Castro and Antonella Rossetti

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## Members present

Lord Carter of Coles (Chairman)  
The Earl of Arran  
The Earl of Caithness  
Lord Cameron of Dillington  
The Earl of Dundee  
Lord Giddens  
Baroness Howarth of Breckland  
Lord Lewis of Newnham  
Baroness Parminter  
Baroness Sharp of Guildford

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## Examination of Witness

*Witness:* **Mr Paolo De Castro** [MEP] and **Antonella Rossetti**.

**Q198 The Chairman:** Mr de Castro, you are very welcome and we are very grateful that you have come to see us today. I will just deal with the formalities and then we will ask you to describe the workings of your Committee before we get to formal questions. In front of you is a list of interests that have been declared by the Committee. This is a formal evidence-taking session of the Sub-Committee. A full transcript will be taken and will go on the public record in printed form and on the parliamentary website. We will send you a copy of the transcript and you will be able to revise it for minor errors. The session is on the record and is being webcast live and will be subsequently available on the parliamentary website. Could we ask you for the record to state your name and position, and then perhaps you could give us a few moments on the workings of your committee before we go to questions?

**Paolo De Castro:** My Lord Chairman, may I start by saying that it is an honour and a pleasure to be here in the Palace of Westminster to give evidence to the European Union Sub-Committee D on innovation in European agriculture. Since my appointment as chairman of the European Parliament's agriculture committee, the Lisbon Treaty has conferred new powers on the European Parliament, giving it equal decision-making rights with the Agriculture Council. That has very much changed our life.

The reform of the Common Agricultural Policy post-2013 will be a particularly important aspect of our committee's work over the next couple of years. The committee is currently embarking on its consideration of the Commission Communication on the reform of the CAP towards 2020, building on the European Parliament resolution that we adopted in July—what we call the George Lyon report. As part of your scrutiny function, your Sub-Committee will be aware that we also have a number of other important legislative packages coming up. We will have some of them tomorrow. Dacian Ciolos, the Agriculture Commissioner, will present the milk package.

To conclude my introduction, it is worth noting that there are two sides of innovation in European agriculture. As you know, I have just written a little booklet on the future challenges of agriculture. I would like to conclude my short speech with one clear sentence. Technological innovation in agriculture—mechanisation, genetic improvements and technical progress—in general is translated into lower prices for consumers, not higher profits for the farmers and the agriculture business. I like to start with this sentence, because everything that we talk about today on innovation or any other

issues you would like to ask about is related to this. It is quite different from other economic sectors.

**Q199 Lord Giddens:** Good morning, let me add my welcome. We are very pleased that you have come here this morning. I congratulate you on your post and, if I might say so, on your exemplary career to date, speaking as one academic—or partial academic—to another.

I shall start by asking about an issue relating to how one moves from innovation to farming practice. In a recent inquiry of ours on adapting EU agriculture to climate change, one of the main findings was the importance of taking the outcomes of innovative research and making them practically available to farmers. That issue has come up in many aspects of this inquiry. I have three questions. How do you think this process is most successfully achieved? How well do you think the CAP's requirement to set up farm advisory systems is being implemented throughout the EU? And what more might the EU do to improve farm advice? Comments on any or all of these issues would be welcome.

**Paolo De Castro:** As you will have been told by previous witnesses, innovation and technological progress are important factors underlying economic growth. Improving productivity relies on the adoption of innovation associated with new technology products and improved working practices. Bridging the gap between academic research findings and practical application is the critical factor here, and you were correct in your previous inquiry in outlining the importance of providing farmers with useable advice. While private and public investment is needed in research to develop new

and innovative techniques, of equal importance is making sure that knowledge about current technology and the best working practice is disseminated as widely as possible.

The Common Agricultural Policy already provides support to foster knowledge transfer through what we call the second pillar. There is a wide range of rural development measures aimed at improving knowledge transfer, training and innovation. I believe the written evidence you have already received from the European Commission has highlighted some of these. Even our European Parliament resolution of 8 July on the future of the CAP after 2013—what I call the George Lyon report as I said before—noted that the climate impact of agriculture can be considerably mitigated by means of improved education and training of people working in agriculture, better use of innovations stemming from research and development in improving the efficiency of agriculture production.

Of course, advisory and extension services are very important for the dissemination of knowledge. The CAP already requires member states to set up farm advisory systems. Often, farmers are more likely to take up advice if it is provided from local, trusted sources. This means that the establishment of networks to allow farmers to share experience can be enormously important, as you can use farm demonstrations.

We need to underline clearly how the farm advice system should work, because not every country works at the same level, as the Commission report says. For example, in England there is not a single system to make contact with a group of farmers. The problem that I have to stress is that the farm

advisory system doesn't work very well in the sense that the farmer looks at the system just to understand how the rules and the cross-compliance should be applied. The rules are not really welcome sometimes. We need to reflect on how the farm advisory system can work better. Disseminating innovation to farmers is one of the most important things that we should reflect on.

**Q200 Lord Giddens:** Could you give us some indication of what improvements should be made and how?

**Paolo De Castro:** First of all, we need to reflect on the balance between the European level and the national level. We need to ensure that there are good relationships with the farmers. They need the information on how to implement such technology, not only because they have to follow the cross-compliance rules, but because it's important to understand the implications of the innovation, of the new technologies and of the new scientific evidence on farming. It's important to know that this is one of the key issues for the future, because without implementing such new technology we probably won't be strong enough. Competitiveness and sustainability are the two key issues for the future of the agriculture sector.

**Q201 Lord Giddens:** Have you got any concrete examples of best practice that you could offer us?

**Paolo De Castro:** When we talk about best practice, we are talking about cross-compliance. When we apply the new Common Agricultural Policy, we follow a direction of not giving money to farmers just because they are farmers, but because they put into practice good suggestions. This is the core of the cross-compliance issue. It does not always work in a wonderful way, but

that is the key change of the 2003 reform, when we changed from the older CAP to the new CAP. We will try to reinforce this with the new reform, to make it clear that farmers should adopt best practice, because their work is important for all citizens in Europe. Good practice should be enforced and explained. Maybe we should adapt the farm advisory system to work better.

**Q202 Lord Giddens:** Does that mean being more aware of local cultural sensitivities?

**Paolo De Castro:** Exactly. This is one of the key questions, because farmers trust the local much more than the general approach. How can we force the local system to follow the farmer's job every day to manage the problem? Otherwise it will be difficult for farmers, because they are pushed a lot by the people who sell the chemicals or other technology. We need an extension service that works from the general point of view because they have to give the public an unconfused answer to sell the product. The United States extension service can be a great example of that. It works at the university level. But of course I have to say that the current system has some problems and we need to improve. New technology and innovation should be enforced more widely than in the past.

**Q203 Lord Lewis of Newnham:** Thank you very much indeed. That has been extremely helpful. Perhaps you may find this question embarrassing and not wish to answer it, but in the whole of Europe, where would you point us to a country that has been very successful in doing this job of getting the farmers involved and educated in new technologies?

**Paolo De Castro:** I am sorry, but I don't know if I am able to answer this question. If I have to focus on the various member states and give a picture of where it works better, it depends on the farm advisory systems in different member states. If I look for a country where the link between the private and public systems works, you can have a good answer. I don't know if I can say, in my country, for example, we have a lot of problems between the national and regional systems, which sometimes overlap. We really don't understand it clearly at the level of farmers. That means that the farmer sees that system as a way of finding out what they have to do to get money from the European Community, not to realise how important it is to implement new technology to reach specific goals. I am talking about natural resources systems and new irrigation practices, where we need to follow new technology to do it right. In this case, we need to do more. If the new CAP after 2013 goes in this direction to implement the new technology and innovation more, we need to change something.

**Q204 Baroness Sharp of Guildford:** My question picks up on the same points. Insofar as you see the CAP wanting to promote this, where does responsibility for promoting these services lie? Do you see it lying with member states, with regional governments or, insofar as you want to see it bottom-up, at a very local level?

**Paolo De Castro:** We have the first pillar and the second pillar in the Common Agricultural Policy. In the second pillar there are many instruments that can go in the right direction. It depends how well the national Governments implement the second pillar. We have some national approaches and some

regional approaches. For example, the national approach to rural development in France has very clear evidence of what is needed and everybody at local level follows one scheme. When we have a regional approach, it depends very much on how the local administration works. Sometimes, rural development can work well because they are well connected and there are good relationships with the farm unions and the co-operatives there. And sometimes it doesn't work. This means that we are not using the second pillar instrument in the best possible way.

As we move into the future, we are moving to transform the first pillar closer to the second, in the sense that we want to follow environmental issues and follow much more closely the new public goods idea of what agricultural people should do. In this sense, we need to have a clearer national idea for implementation of that and leave subsidiarity to the local, regional government which they have to apply as best they can, without taking specific decisions against some others. There can be some overlap.

**Q205 Baroness Sharp of Guildford:** So it is essentially up to each member state to set up the organisation that they feel best fits for them?

**Paolo De Castro:** I think so.

**Q206 Lord Lewis of Newnham:** Could we turn to the funding of research, which is the other side of this coin? The seventh Framework Programme devotes about 4%—€2 billion—to food and agriculture and to biotechnology. How far do you think that the EU research programme has supported agricultural innovation? What changes would you like to see after the 2013 cut-off date for the seventh Framework Programme? Can you see how the

national research budgets could be more effectively mobilised into this system?

**Paolo De Castro:** This is one of the key problems in many discussions in committees on agriculture and rural development in the European Parliament. How can we improve the framework programme for agriculture and research? It is a very small budget—less than 4%. If we look at the innovation needs of the agricultural technology sector, we really have to rethink the new framework programme. We need to invest more in research. This is not particularly linked to the Common Agricultural Policy, in the sense that there are not specific budgets on research. Maybe we can encourage the application of research and force farmers to go in that direction, but the research budget is another directorate. We already say many times in the George Lyon report that we need to reinforce that. The key issue today is the food security issue and how we can answer this big question of ensuring there is enough food in the world to feed people. The increase in demand for food is much greater than the increase in supply.

We need to realise that to answer this very big question, we need research and innovation and it is impossible to use just the 4% of the total framework. We need to do more on that. The reforming of the financial perspective from 2013 to 2020 is the correct place to look at the budget. Agriculture can play a major role. It is not just separate. I think we have to encourage and establish better transnational networks, ensuring knowledge is available between member states. There are many things to do on research, especially on

biotech, which is a very delicate issue. I don't know if we will talk later about this important issue.

**Q207 The Earl of Dundee:** Do you think that subsidies may undermine the readiness of farm businesses to adopt innovation?

**Paolo De Castro:** In my mind there is no direct link between farmers receiving subsidies and not wanting to invest in innovation. The problem with investment is having a picture of the future farm that can be strong enough to stay on the market and overcome the competitiveness problems. There are no direct links to the issue of subsidy, first of all because the 27 member states have an average of 20-25% of the income, so of course they need to be emphasised much more because otherwise they don't have enough income. It's important, because the new problems today are linked to market instability, which is linked to price volatility. We need subsidy to give farmers a good climate to invest. I don't think the subsidy makes people weak at adopting innovation. It needs to be a safety net to make farmers strong enough to continue their business, to continue to invest and to continue to trust. Of course, we need more transparency. That is a general topic for the new CAP. Several members of the agriculture committee talk about how that can happen. In the future CAP there will be some news on that, in the sense that we want to make the reform much closer to the citizens rather than closer to the farmers.

**Q208 The Earl of Dundee:** As you say, looking to the future it would be good to be prescriptive and not to make a distinction between farm businesses that are more reliant on subsidies and others that are not. Nevertheless, looking at

the evidence to date do you think that a pattern has emerged a bit and that it might show, so far, that businesses that have been more reliant on subsidies are not quite so innovative as farm businesses that are more subjected to the commercial market?

**Paolo De Castro:** When the Common Agricultural Policy was just about encouraging the farmer to produce without taking into account all the factors that we have to consider today, like the environment, or even innovation in this sense, that was probably true. But today, with the new issues that we have on the table and the new problems of competitiveness, sustainability of natural resources and food security, we need to focus the subsidy much more, particularly the first pillar, on the public concerns about the behaviour of the farmers and what they do for all the citizens. We need to show clearly in the future how this policy can clarify to everybody that it is a policy for all citizens.

Of course, some things don't work. Sometimes the trade-off is that it will not be too complicated. Simplification is given with one hand and on the other the farmer is forced to do something in particular. We have to be aware of that. Yes, we want to force farmers to go in the right direction with good practice, taking care of the environment and all the problems that we have on the table, but at the same time we need to make them more competitive, to be strong enough to win. For that, we do not want too much complexity in the application of European rules, which is one of the stronger criticisms that we have heard.

**Q209 Baroness Howarth of Breckland:** I wanted to follow that through a little. If, in order to get the outcomes that you want, including environmental outcomes, you need better innovation to increase productivity—the first thing farmers need to do is produce more food, because there is a world food crisis—would it not be better to direct any subsidies specifically towards seeing through that change between the research and knowledge and the innovation to farmers, so that you can see that change happening? I don't know a lot about America, but we talked to them last week—China is also relevant here—and they seemed much clearer about the way they use public money to drive the innovation, which then increases competition and movement forward. I wondered whether the Commission had thought through that kind of package.

**Paolo De Castro:** The goal that we have today is how we can simultaneously encourage competitiveness for farmers and achieve sustainability. Of course, that it is easy to say, but it is another thing to do it. Competitiveness today is key. Our farmers are in the global market. They are in the same market as people around the world who do not observe the European standards on safety or animal welfare. Of course, with this competition we need to force our farmers to be stronger, to be well organised and to get away from the old approach when the farm policy was to maintain the price and produce more and not worry about anything else. Today we need to take another important step on environmental issues. The key is: produce more, consume less and pollute less. That means we need technology and innovation. Not everybody is clear about how we can produce more and consume less. We have a

problem with water, not only in Europe, but across the world. Agriculture consumes 70% of the planet's water and we don't have enough water for everybody. The increase in demand, especially in China and India, is not only because of demography, but because of the impact of increasing incomes. That has a tremendous impact on demand. If we look just at figures for meat, milk and animal products, the increase in these countries means a tremendous increase in demand for cereals such as maize and soya beans to produce the animals. The relationship is more or less that 1 kilo of meat means 7 kilos of cereals. We need to realise that all our policies, including the Common Agricultural Policy, but also other important policies in the world, such as in the United States and China, should be aimed at the future problem for everybody, which is how we can get such an amount of food. We don't have it.

We realise how important climate change is and we are making some improvements. Copenhagen was a very important appointment for Europe. Everybody realised that climate change needs to be taken into consideration day by day. We don't have the same awareness of food security, but it comes before climate change. Food security is an issue for the next five or 10 years. We are looking at price volatility today. For example, the price of sugar, at more than \$1,000 dollars per tonne today, is the highest price in history. The food industry in Europe is not able to find enough capacity to produce.

Everything is changing, even the relationship between the food industry and farmers. Before, the food industry said that they needed to be free to buy whatever agricultural products are cheapest in the world market. Today, they

come to our committee in Brussels and ask us to maintain the agricultural capacity here because they can't find the products at the price that they need. Price volatility is increasing and all the evidence shows that it will increase in the future. So if we start from this point of view on how we can manage competitiveness and sustainability, we can realise how much more effort and innovation should go into the future Common Agricultural Policy. This comes back to the problem of biotech, which is probably one of the answers.

**The Chairman:** I think we are coming to that in a moment, if we may.

**Q210 Baroness Sharp of Guildford:** We have been talking about cross-compliance and the first pillar, but in the recent communication on the reform of the CAP, a lot of emphasis was put on the second pillar in terms of promoting competitiveness and innovation on the one hand and meeting the challenge of climate change and the environment on the other.

In practical terms, how do you and your committee see the future of the CAP most effectively supporting innovation in the agriculture sector?

**Paolo De Castro:** How the new Common Agricultural Policy can enforce the correct direction is the key. The communication from Dacian Ciolos arrived on 18 November, so we have a very general picture. It was just a few pages. When we made the George Lyon report, we had more than 800 amendments and 50 compromise amendments. The Commissioner is now speaking very generally in a few pages to say that we have to go in this direction. It looks as though they are leaning towards the Parliament's

concerns. We are waiting for the next European Parliament report on the communication. Albert Dess will be the rapporteur on that.

This is the key. My personal view is that we should look not only at the second pillar. It is important, of course, that we have a broad approach on that. Everybody wants the second pillar and we have debates about it, but we need to force the first pillar to go in the correct direction. The communication from Dacian Ciolos says that we need to move the agri-environmental measures in the second pillar into the first. We don't want to mix, but we need to realise that even the first pillar has to go in the correct direction. It is not just a subsidy because you are a farmer. You have this amount of money, but you need to produce these public goods for everybody. Yes, you should be competitive, but at the same time we need you to take care of natural resources, animal welfare and all the environmental problems. We cannot make any environmental policy without taking the farmers into account. They manage more than 50% of the total land, so we need to give a clear picture. So the second pillar is okay. We can improve it with some European-level rules, but at the same time we need to force the first pillar to go in the correct direction.

**Q211 Baroness Howarth of Breckland:** There is clearly a tension between some of the innovation in agriculture and some environmental and consumer policies. The real trick is how these are brought into balance and managed together. We have heard a great deal of criticism of the EU's GMO policy and the recent pesticide regulations. They have been seen as obstacles to innovation, imposed by the European Union on the farming community. We

have also had a recent regulation proposed by the Commission on a temporary ban on the cloning of animals for food production. We realise that there are a number of issues around all of those, but could you say a little about these competing objectives involving the Commission Directorates General? We need a clear strategy to support innovation in agriculture. If you look at the amount of development in agriculture in the States, where they seem to be surviving despite eating GMOs, compared with production levels in this country, we need to examine this.

**Paolo De Castro:** This is one of the key issues. Biotechnology and GMOs are part of the answer to the problem. I am not talking for the agriculture committee; this is my personal opinion. I think there would be a majority in the agriculture committee for my approach, but we haven't voted yet so I cannot say. I think we are going too much in the direction of the fundamentalist approach rather than a scientific approach. We need to give clear evidence from a scientific approach to explain what we are talking about when we refer to biotech or genetically modified organisms. People are scared. They don't know. We have a lack of information to our consumer. This issue falls to John Dalli, the Commissioner for Consumers and Health, not to Dacian Ciolos. We are asking him to make more information available. If people continue to say that GMOs are Frankenstein food and make European citizens scared, we will not go in the right direction. Yes, some member states are more scared than others, but generally speaking the problem is that people at European level don't know about GMOs. They don't know what is being done, not just in the United States. There was

criticism because some environmental associations attacked the United States because multinationals were studying how to sell more chemicals, like Monsanto's soya beans. This has completely changed in the last 10 years, when all the world has invested a lot of public money in biotechnology. Now, particularly in Asia, in China and India, there is a tremendous impact and results from the new GMOs. The GMO approach is important to save land, to save chemicals, to produce without using a lot of pesticides, to produce while using less water and to produce on dry land. How can we answer these important problems without using biotech?

A few days ago, the Vatican's Scientific Academy came out with an important paper. It was very heavy, because it was the conclusions of 45 different scientific academies around the world on GMO and biotechnology. The final sentence was very clear and shows that the approach can be changed. It said that we need to go in this direction. It is a question of ethics in favour of that. Sometimes Europe looks a little scared when we have to manage innovation and biotech. I am not particularly in favour, but we need a clearer scientific explanation of the problem, not just because there are some very strong environmental activists who are pushing to paint it in a bad light. We need to study and to provide better information on that.

**Q212 Baroness Howarth of Breckland:** How do you do that? How do you get the public in Europe to understand that yellow rice in Asia and sweet potatoes in Africa are going to transform some of the vitamin deficiencies? In Europe, we're at a standstill. I spent a lot of time in the Food Standards Agency when this started and I know the groups that are against the science.

How do you get through those groups? What lead can Europe give to help us forward?

**Paolo De Castro:** Again, in my personal view there is a lack of information, so the first thing I suggest is that the Parliament should push Commissioner Dalli to give more information. This can come in many different ways. We don't just need to give an abstract scientific outlook, but a clear picture of how this technology can change our lives for the better and what it is doing in many countries around the world. People don't know that.

The John Dalli proposals on GMO will very soon be voted on in our committee. Some people are against the Dalli report. It is a kind of renationalisation. They say that just because at European level we don't have a majority in favour or against, we leave the decision to member states. If they want to cultivate, they can, but if they don't want to cultivate they don't have to. They don't have to give scientific reasons. Member states can just decide. That doesn't work. We give Europe a lot of power to decide many important things in our lives. If we just renationalise the decision when there are important things, it cannot work. We need to press ahead and to give a scientific approach. This paper that I mentioned before can give us a better picture of what we have to manage: produce more, pollute less and consume fewer resources. Without biotechnology there is no way. I don't want to say that it is the only answer, of course, but it is one of the important answers to this big problem.

**Q213 Lord Cameron of Dillington:** Good morning, Dr De Castro. I am very glad to hear your personal support for technology advances, including GMO. I hope you manage to persuade your committee and your fellow

parliamentarians. We have been talking to the United States over the last week or so. They referred us to the OECD-FAO report, which said that over the next two or three decades agricultural productivity in the United States was going to go up by 14%, in Brazil it would be 40% and in the EU it would be only 4%, because of our technophobia. One of the things they commented on was that if the United States had the system that we have in Europe—modern technology is examined scientifically and goes to the scientific committees, but at the end it is then voted on on a political basis—everyone would vote along party lines and all sorts of politics would come into it, so probably a lot of the advances in the United States wouldn't get through because of politics. I think I agree with you that the compromise whereby it goes back to member states is a false premise. Is there any way we can take the politics out of it?

**Paolo De Castro:** I am trying to work together with the United States Congress, because the Lisbon Treaty gives us this new power, compared with the previous legislature in which the Parliament just gave an opinion. Today we share the same power as the Council. This is a good opportunity to work together with the United States Agriculture Committee in Congress. I have just been to Washington to meet Collin Peterson, the previous president—the election changed the president and now it is Mr Lucas. I am going to organise a meeting in June to link the committees from the European Parliament and the United States Congress. One of the issues is how we manage the problem of food security and innovation in technology. We can work together much

more today than we did in the past, thanks to the Lisbon Treaty, which gave us a role to play.

Usually the United States goes to individual member states to solve specific issues. I understand that, but today there is a better approach. We can really work together to make all the effort to explain to the politicians, who need to vote and to give their support. It will be difficult. Many times while I was an Italian Minister of Agriculture I was very aware of this. People were waiting in my country and others. When we talked in the Agriculture Council, we had the same problems of how we could manage the reaction of the people. The only answer is that there should be more general information on that.

It is not possible that we give equal weight to Nobel Prize thinking and to environmental associations. They are very good and I don't want to say anything against them, but of course there is a difference between them to take into consideration. My friend José Bové, who is the vice-chair in my agriculture committee, is very much against this and is on the side of the paysans. I said to him, "Listen, I would like to understand you, but what if somebody asked me to choose between the José Bové approach or the Nobel Prize Rita Levi Montalcini approach?" I come from a university, so I am used to such approaches. We need to think carefully what we are talking about. Sometimes Europe really doesn't know why it is going in this direction. It is important to look very seriously whether there is any evidence of damage to human health and the environment. The precautionary principle is very important, but we need to share the clear picture that the world is giving to us—more than 124 billion hectares, and increasing year by year, and Europe

is against all this. It is fully aware of the research and all the innovation. We need to react, because otherwise we don't have enough.

**Q214 The Earl of Arran:** What you say is very interesting. Moving on to the critically important livestock sector, about which we have heard very little so far in our evidence, you say that it replied very positively to the questions you put. How does livestock compare at the moment on innovation in the agriculture sector?

**Paolo De Castro:** Innovation in this sector is particularly interesting. Livestock as a sector is under the lens and is much more controlled because of the environmental impacts. We need to make clear the progress we have made. Looking at the emissions from the livestock sector at a European level over the last 20 years, the situation is getting much better. When we act on extensive production, when we force the farmers to use best practice, we realise that the evidence is clear that we are making improvements. The problem is that the demand for animal products is increasing so much. When I see the picture for meat consumption in Europe and in China and how it is changing, it is incredible. Some day soon we will need to answer the question and reflect on the impact of our diet. We cannot just replicate the European diet in other countries in the world. If we go in this direction, there is not enough land and not enough animal products. We need to think much more about that. Not everything is the same.

When you talk about the livestock sector, there are many differences. Poultry is different from pigs or cows. Beef is the biggest consumer of water. That doesn't mean that we can say that we can't consume it, of course. We need

to take into consideration what the world is doing, but at the same time, we need to force the producers to implement best practice and to reduce the environmental impact and the greenhouse impact. If I take the figures for the last 20 years, I think the Common Agricultural Policy is doing better. We can do more, but I want to stress that we are going in the right direction. We always say that everything is getting worse, but if we compare the situation over the last 20 years, Europe is doing better. With the future Common Agricultural Policy, we have to force this direction more, because the environmental impact will be important, but at the same time we need to say that the reformed Common Agricultural Policy in last 10 years has been doing better than in the past.

The problem is not easy to solve. I don't have an answer for the future, but we need to continue to work in the correct way, as we have done in recent years.

**Q215 The Earl of Arran:** What about innovation in breeding, mentioning GM and so on?

**Paolo De Castro:** We import 90% of our soya beans from countries that produce GM, such as the United States, Brazil and Argentina. This is another strange aspect of European society. We make very high quality products, such as Parmigiano Reggiano cheese in my country, which everybody thinks is fantastic and is proud of, but without GM soya beans we could not produce it. But we cannot cultivate them. We really need to approach these problems in the correct way. We can launch a specific project to increase the European production of proteins. That could be useful. We are working on

that. There is a report from Martin Hausling in our committee on improving European production of proteins. But we have no chance of matching the million tonnes of soya bean that we import. Europe should open its eyes more and give a specific picture to our citizens. Otherwise, in a little while we will get other problems.

**Q216 Baroness Parminter:** You have said that the marketplace we are in is about getting more food from fewer resources. That is an analysis that we have had from a lot of other people who have come to talk to us. In the livestock area, that has animal welfare implications in terms of increasing industrialisation. Lord Cameron referred to the strength of the American market on food production growth, where we are now seeing animal cloning and increasing superdairies housing levels that we don't see anywhere in Europe. The EU has had a good record on ensuring a balance between animal welfare standards and growth in food production. In Europe, is animal welfare now seen as a barrier to innovation in agriculture or will Europe maintain that balance between ensuring good standards of animal welfare while seeking food growth?

**Paolo De Castro:** My personal opinion is that we need to continue to follow the animal welfare issues. We should be proud of our high standards of animal welfare. Of course I realise that this is another important issue that is debated in our committee almost every week. They say that the problem is not with the high standards of animal welfare, but with importing from other countries that don't follow the same standards. We need to force people who export to Europe to adopt the same standards that we use. It is easy to say, but not

easy to make it happen. Third world countries don't have the same system that we have and it is much more complicated for them to introduce animal welfare standards. To give you an example, on 1 January 2012 we implement a new regulation on egg production under animal welfare rules. We have changed the system of cages. Everybody said yes. At that time I was Agriculture Minister and I was proud to put my signature to it in 1999. But now everybody is saying, okay Europe has reached such a standard, but if on 2 January 2012 we import eggs from countries that don't follow the same animal welfare rules, this is a distortion and it will make our farmers very upset. So sometimes the problem is how we can make this balance. It is not easy to put into practice. We want to be first class when we talk about animal welfare. If I talk with my friend in the United States Congress about the movement of cows between North Dakota and the Texas livestock people, there is miles and miles between. It would be impossible with European rules. They would have to wait every eight hours and give the cow a little break before carrying on. There are many differences. I am proud that we are going in the right direction, but we need to consider how we can implement the rules in the right way, otherwise European farmers have a right to push very hard on that.

Talking about cloning, the lesson of GMO was very clear. I think John Dalli is doing a very good job. He said that we could decide whether we are in favour of cloning or against, but we have to say very clearly that this has nothing to do with human health and safety. If Parliament wants to say that

we don't want cloned animals, we should be clear that this is an issue of ethics and has nothing to do with health, the environment or animal welfare. This is important, because sometimes people can be misled on that. When we talk about GMO, even if there is 20 years of evidence and not one problem in the countries where it is in use, there is still a lot of debate about whether it is dangerous and causes health problems. It has a bad image, but there is no scientific evidence for it. There were some problems in some scientific papers, but right now, with years and years of using GMO in the US and other countries, there has been no scientific evidence of a single case of problems specifically related to this. We are trying to start the debate on cloning in this direction.

At the same time, I have to say that on cloning the situation is difficult compared with GMO, because of the ethics. For example, there are religious concerns. Some Christians are very much against it. They say that it will come to human cloning. I don't think it will be an easy time. We have already voted in the plenary, but I think John Dalli has to do the best to give the right picture even on this difficult issue. I am very curious to understand what is going on in the future, but if we have to go fast, cloning is the system that will be implemented fastest in breeding improvements. If I have to give my personal view on the long-term picture, we will need to talk again.

**The Chairman:** I am conscious that we have a couple more questions. If we can keep Mr De Castro, I hope that we are content to go on for a few more minutes.

**Q217 Lord Giddens:** I was just going to ask whether you could comment briefly on what could be done to control methane emissions from livestock.

**Paolo De Castro:** Yes, everybody realises that livestock has that impact on the environment.

**Lord Giddens:** Globally, it has a substantial impact.

**Paolo De Castro:** Yes, if we look at the figures, it is more than 10% of the total. I don't have the answer. We are talking about it. The emission figures for Europe have been changing in recent years, because of the Common Agricultural Policy reform. We are looking at a reduction on that. We are going in the right direction, but we need to do more. We need to implement good practice more widely, but the problem is still there. We need to increase production to meet demand. We need to consider what kind of technology can help us. There are some studies on it with good evidence. We had a workshop in our committee to show the habitats and diets of cows that could reduce the impacts. We need to work a lot on this. The direction is correct, but we need to do more.

**Q218 Lord Cameron of Dillington:** I believe that today the Commission is producing a package of documents on product quality policy, covering geographical indications and certification schemes and marketing standards. Keeping in mind our agenda of innovation, what do you hope to see from this new policy and do you think it can be used to encourage farmers to be more innovative?

**Paolo De Castro:** Quality is one of the main issues to make European food production more competitive. We lean more towards our heritage and

territory. It is different in different member states, but we can translate the history of our food in cooking and typical regional foods. Europe established the quality system of geographic denomination, but it is not very widespread. We have about 1,000 geographic denominations in Europe right now, but 80% of those are in just three countries—Spain, France and Italy. There is also a little bit in Greece. Now, it is increasing a little in all the countries of Europe. I think that is good news. We need to use our quality and diversity. Sometimes, the geographic indication product doesn't just taste better than others, but it is a link to some traditions and specific territories. Because the consumer today is interested in knowing more about food, this is an interesting marketing tool that we can use. This applies mainly to Europe and not to other countries in the world. Maybe there is Napa Valley wine in the United States or Chinese spaghetti—they have just asked to give it a European geographic denomination. It is a real European task. We need to reinforce that, because in global competition, as we know, Europe is a force between the two big powers, with Latin America on the one hand and China and India on the other. They squeeze Europe a little, because there are not the same costs of production. They have big land and lower costs of production. They have many things that a small and densely populated Europe cannot compete with, so we need to compete on quality and diversity. I don't want to say that other countries don't have quality products, but sometimes our diversity can be useful to make us more competitive.

Dacian Ciolos will show us the milk package next week—tomorrow will be a holiday, so we will be a little late in the presentation. The core is that we want

to maintain the three-level system of geographic indication, denomination and traditional ones. There are some rules for better implementation of these and there are some specific rules on labelling of country of origin. That is a big issue and not everybody thinks the same, so it will be interesting how we can approach the second part of the quality package, on country of origin labelling. Dacian Ciolos says that we need to show the consumer all the information and we should know where every product comes from. Sometimes this causes fighting between farmers and the food industry. Not everybody thinks the same, so it will be interesting. Whether the consumer will be interested will depend. Anyway, this is the quality package. There will be more attention to the European rules and how we can implement them better. At the same time, there is some news on labelling.

**Q219 Lord Cameron of Dillington:** I would come from the principle that you should be allowed to put what you want on the label to make your product sell, as long as it's true. That is the only regulation that we need. We did a report on the wine industry. Frankly, the regulation from Brussels was very uncompetitive.

**Paolo De Castro:** I know that wine is a particular sector, but sometimes there is a misunderstanding when people think that products come from the same country because they have the same name, like Parmesan or whatever. People can misunderstand and companies can take advantage of the knowledge and history of this product, even though their product has nothing to do with it. There are WTO rules, because we are not good enough to implement such important rules at European level. Many countries in the

world are against it, because they see such a system as being against competition. That depends on sensitivities. Some countries, such as my country, are pushing. I think it could be one of the bases to make a stronger European presence in the market, without telling a lie. We should be correct in our approach, of course.

**Q220 The Earl of Caithness:** As part of Europe 2020, the Commission has proposed an Innovation Union. One of the partnerships is going to be agriculture. How would you make that partnership an effective instrument rather than a European talking shop?

**Paolo De Castro:** Thanks a lot, my Lord. When President Barroso presented the Europe 2020 strategy, we were very upset in the Parliament because he didn't mention the role of agriculture and how important it is. We applied pressure in the Parliament and the Council. Finally, in the last presentation of the Europe 2020 strategy, the Innovation Union for agriculture took the floor.

Sometimes we talk about agriculture as something very old and traditional. It is not competitive and we can forget it. We really don't understand how strategic agriculture will be in the future, because of the issues we have talked about before, such as food security. Not everybody realises that. Even sometimes at European level when we talk about agriculture, it is just a basket to get money to finance other policies. There is a lot of money for agriculture. We don't realise that the situation has changed very much.

We have left the era of surplus and come to the era of scarcity. We need to refocus what an Innovation Union is. In my mind, agriculture is at the centre of an Innovation Union and the new global challenge. That is the title of my short

booklet, which I have mentioned many times today—I'm sorry. In my mind, this is the key. Agriculture today is not just one sector or another. We are making the Common Agricultural Policy not just because we want to help farmers. Yes, of course we want to do that, but agriculture has to play a very important role because of the global challenge of climate change. Agriculture is part of the problem, but it is also part of the solution. On environmental issues and the use of natural resources, agriculture can do a lot on using water better, not wasting water. The new technology seeds use less water.

Agriculture is a strategic point in the Innovation Union. We need to refocus on that and to explain to the Prime Ministers around Europe that agriculture should not just be old and traditional, allowing people to say we don't care about that, it is no problem, because we can buy food anywhere in the world. In the future we need to produce more food in Europe. The problem of quantity is as important as the problem of quality. We need to think about the next generation and its problems.

A few years ago the problem was exactly the opposite. We remember the butter mountain and the cereals mountains. The Common Agricultural Policy produced a lot of problems. Then we changed the policy. Now is another era. We need to understand that and think about agriculture as an important part of innovation in Europe.

**Q221 Lord Lewis of Newnham:** Does that mean that you would want to vary significantly the differences between pillar one and pillar two?

**Paolo De Castro:** The problem arises because I don't want to say that the second pillar is the good one and the first pillar is the bad one; the second pillar is legitimate and the first pillar is not because it is just subsidy. We need to have a clear picture that the second pillar is part of the same policy and it has to give the right answers to the problems that are on the table.

We want to maintain more links between the two because everybody realised that farmers, who produce public goods, need the first pillar. Then it looks similar to the second pillar, which has such legitimacy. It is more a question of the architecture of the CAP. In the first debate in the European Parliament on this, we tried to create one pillar, not because we don't want a second pillar, but just to show that there is one policy. Then you can have different actions to follow what we need. There are some rumours that the second pillar might be moved from the CAP to another European policy. We think that it would be wrong to move it to regional policy. We should explain clearly that we need both to give a correct answer to the problem.

**Q222 The Earl of Arran:** Do you ever consider a northern Europe and a southern Europe for agriculture, such is the difference between the two?

**Paolo De Castro:** North and south? This is the traditional problem. If I look at the budget figures for the Common Agricultural Policy, we give a lot of support to the north, in the sense of the more continental products compared to Mediterranean products. In this case the new Common Agricultural Policy after 2013 can give the correct answer. We can completely eliminate historical reference. We have to redistribute this amount of money with new

criteria that take into account the environmental issues and employment issues.

Some good answers to the difference between north and south in Europe can come from the new CAP. I hope that that will be good enough to show that this policy is not aimed at helping some people more than others. Some people say that there are a lot of rules that help French farmers more than other farmers. I think this policy can help a lot to show that the rules are the same for everybody. Then the market is there and everybody can play their role.

**The Chairman:** Well, Mr De Castro, thank you very much. We have had authoritative and comprehensive answers. Your commitment to all of this is clear. We are delighted with the evidence you have given us. Thank you very much.

**Paolo De Castro:** Thank you very much. It is a real pleasure.