



EUROPEAN PARLIAMENT

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“A Common Agricultural Policy for European Public Goods: Declaration by a Group of Leading Agricultural Economists”.

I would like to begin my speech by thanking our agricultural economist colleagues for producing the document “A Common Agricultural Policy for European Public Goods: Declaration by a Group of Leading Agricultural Economists”. This is an extremely interesting contribution to the current debate on the future of the Common Agricultural Policy.

I agree with many of the basic ideas which it contains and believe it is enormously useful to explore the agricultural policy options which are suggested. The reforms that the CAP has undergone since 1992 have today given us a policy which is radically different from the past both in its objectives and in its instruments. The road we have taken must now be continued in order to create a CAP which will help European farmers and the rural areas into the period post 2013.

We all agree that the basic issue is increasing and improving the contribution that farming gives in constructing collective values of an environmental and social nature. Today we need to reflect on how to achieve this objective and the resources which we need to do so. As I stressed during a specific seminar promoted a few days ago by the European Parliament, this reflection must now be made urgently, to avoid the discussion on budget of the CAP will be done before focusing on the new future challenges for agriculture.

I will try to briefly express my idea of the future CAP and to put it in the context of the considerations made in the document.

Europe’s commitment towards the agricultural sector and rural areas needs to be brought up to date, so as to underline the positive impacts it has on society and reduce the distortions from which it still suffers. But according to new visions of growth processes, there is the need to take on board new global responsibilities, and in this task agriculture can play a decisive role.

With this in mind, the CAP reform process had already started by Agenda 2000 in 1999, by the Mid Term Reform in 2003, which outlined a new approach to European intervention in the farm sector and in rural areas, stressing agriculture's contribution to constructing positive social values and progressively reducing the weight of market protection and internal price support. An ambitious pathway which radically changes the intervention with an epochal transition: the premium for the status of farmer is replaced by a premium for behaviour and the services which the farmer supplies for society.

In this context, I fully agree with the need to show clearly this new approach. target There is a clear need to go beyond the perspective of payments tied to the historical value of premiums, to construct a perspective more closely tied to the behaviour of the farmer and the public services created, also keeping in mind the benefits for operators, so as to underline the social role of direct payments.

By contrast, I completely disagree with the prospect of partial CAP re-nationalisation, as broadly suggested by the document which we are discussing today. I believe, and my conviction is supported by different agricultural economists in Europe, that this prospect, even in the presence of intense forms of control and regulation, may produce a level of distortions such as to penalise some countries and create a disparity in the intensity of intervention.

Besides, the crisis in the milk and dairy sector is currently highlighting the fact that reducing expenditure on the CAP does not mean spending less, but on the contrary increasing the resources invested, also producing distortions. This is testified by the widely forecast prospect of extraordinary national interventions (with France, Germany and Spain). Clearly, this situation lends momentum to the drive towards national autonomy which creates distortions and disparities in treatment among European farmers.

I think that our reflection should be based on an overall analysis of the scenario which can provide us with concrete idea of European Agriculture in the future. On this front, agriculture remains fundamental, in its many different forms, in ensuring balanced land use management and making a real contribution to producing environmental and social benefits.

We have to face the challenge of global responsibilities. This challenge starts precisely from the creation of environmental and social values alongside those of an economic nature.

The topic of resource scarcity measured against growth dynamics imposes the constraint of sustainability across the board, but first and foremost on more developed areas: water, energy and food are beginning to become scarce resources or at risk of scarcity. Scarcity is further challenged by another consequence of the great pressure upon productive resources in recent years, the phenomenon of climate change.

All these elements are in strict direct connection with farming and the function of soil management undertaken by the farmer. Clearly, one of the chief tasks of today's policy-maker is to promote the defence of production and area potential which concerns farming, helping the growth of collective values linked to the positive externalities that they generate.

We need to explain that the CAP is an important policy for all citizens, not only for the farmers. Agriculture provides a series of essential services: from food to biodiversity, from landscape to the environment, including the functions performed for the social and economic vitality of rural areas.

We now need to reflect upon how to ensure that these services continue, on what agricultural policy options to pursue so that their expansion may be incentivized and their level enhanced. I believe that on this basis the future CAP has to show clearly some basic objectives:

- Improvement in environmental quality
- Preservation and enhancement of the rural landscape and biodiversity
- Improvement in food quality and promotion of animal welfare
- To face climate change (emissions reduction, incentives for producing renewable energy, increase carbon sequestration capacity)
- Improvements in water and energy use efficiency
- Improvement in vitality and quality of life in European rural areas

Only by promoting good land use and sound farming practices can these services be guaranteed for the near future. This means the necessity of policies and suitable resources. It also means translating such ambitions into a more modern CAP.

In this view, we need to consider not only the opportunities afforded by the European system of farming and rural areas to contribute to building such important collective values for the future, but also the constraints and threats to which it is subject. Today the term “crisis in farm prices” is frequently used both to represent price increases (which in 2007/08, due to their intensity, translated into “food crisis”) or decreases (like those in the last few months).

There are various causes behind this variability (demand trend, climate change and effects on harvests, prices of energy products, speculative phenomena, competition with non-food farm production), and their effects are translated into an increase in farmers’ exposure to risk. Price shocks like those recorded in recent years, on the one hand, jeopardise the food access capacity of major parts of the world’s population; on the other, they risk generating, especially in agricultural economies like those in Europe, widespread farm closure, which is difficult to reverse. This has the effect of disempowering the social and environmental role of our agriculture.

Hence the necessity of intervention instruments that can:

- . Continue to reduce interventions for market protection and price support, but ensure the possibility to activate timely and suitable measures to defend farmers from production and price shocks
- . Promote and support access of farmers to modern risk management tools.

I believe that all these points must be seriously examined and I am convinced that a new intervention perspective may be constructed within the two pillars of intervention, revisiting their function in a modern light and according to the expectations of European society. I believe that the first pillar should continue to exist, and that it may contain those measures that can protect our farmers from those market shocks which, in the absence of protection networks, may give rise to widespread farm closure processes. At the same time, I believe that the single payment may be a socially desirable instrument within the first pillar, so as to limit the same pressure on natural resources in the event of price rises and be able to respond to our citizens’ expectations. This belief of mine follows the objective to incentivize the social and environmental services supplied by agriculture, but also the need not to transform socially important values into competitive disadvantages. Hence the need to work internationally to build conditions of reciprocity on the themes of animal welfare, environmental impact, food security and better consumer access to product information.

One thing is for sure and it is shared by the majority of agricultural economist: Market alone is not enough: we need regulation, so we need a strong CAP.

