

Farming in Society

Oxford Farming Conference

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Chairman, Secretary of State Paterson, fellow speakers.

Addressing the Oxford Farming Conference is a really good way to kick start the year. And what a year that lies ahead for anyone connected with the agriculture and food sectors.

On January 23rd, 24th the Agriculture Committee of the European Parliament will vote on a series of compromise amendments to the EU Commission's CAP reform proposals. In February IF the heads of state and government can agree, we will know how much money is available to fund the policy and in March there will be two crucial votes in the Parliament on the budget and on the policy reform.

If events unfold as expected, then detailed and I expect difficult negotiations will take place between the Parliament and the Council of Farm Ministers to conclude the CAP reform process by the end of June, under the Irish Presidency.

It all sounds simple, almost mechanical. It is anything but....and as the old English proverb goes..there's many a slip twixt cup and lip.

Later I will outline how the European Parliament has managed the reform process so far, given that this is the first time that the Parliament has full co-decision powers with the Council, following the passing of the Lisbon Treaty.

Prior to Lisbon, the Parliament gave its opinion and the Council could choose to ignore it or take it on board, but there was no obligation to do so. In these changed times, the Parliament is obliged to go beyond an opinion and then Council is obliged to listen and take account of the Parliament's views.

Increased power brings with it increased responsibility and that additional responsibility to frame the CAP for the future is taken very seriously by my colleagues on the Agriculture Committee and by the wider Parliament.

The theme of this year's conference - Farming in Society - Confident Farmers delivering for society - is very timely.

All across the globe the importance of farming is being rediscovered.

Where I come from there has never been any real doubt about the role of farming in Irish society. In Ireland there is still a strong connection to the land even by those with no familial links to farming. This translates into support for farming and a genuine feeling of goodwill towards the sector.

Of course over the years this positivity towards farming has ebbed and flowed.

Research undertaken in August of last year (2012) by Agri-Aware, a body set up in Ireland to foster greater understanding of agriculture and the food industry reveals a significant shift in the public view of farming.

When asked about the importance of farming and the agri-food sector to the economy, almost 90pc of those surveyed said the sector is either extremely important or very important to the Irish economy. In a similar survey carried out 15 years previously in 1997, just 65pc of respondents believed that agriculture was important.

The Ipsos/MRBI research is good news for those who know the value of farming to society. And it confirms a sense we have had that there is a renewed focus on and appreciation of those things in our society and in our economy which in many respects have been taken for granted.

The same survey also asked about farming and the countryside, with 88pc of people saying that farming was beneficial or very beneficial to the countryside.

Fifteen years previously the same question was asked but back then only 58pc of those surveyed believed that farming was beneficial or very beneficial to the countryside.

People also showed a deep understanding of the intrinsic value of our countryside not just for farming, but for our tourism sector, with 91pc saying the countryside was important in attracting tourists to the country.

Later we will hear more details of research carried out in the UK....my understanding is that its findings mirror those in the Irish attitudinal survey. It is really important for the sector to have this empirical evidence of the public attitude to farming.

Attitudes to farming have undoubtedly improved in Ireland because of the renewed reliance on the "old reliables" for economic recovery. The EU is talking about a policy of re-industrialisation. I have heard Commissioner speak passionately about the place of agriculture and food production in economic recovery and job creation. This is a new phenomenon. I know this debate about re-industrialisation is also taking place in the UK.

The demise of the Celtic Tiger in Ireland has allowed farming to reestablish its place in Irish society, where it has always been regarded as the backbone of the country and the economy but had lost its visibility in the heady Celtic Tiger era.

In Ireland farming and the food sector are regarded as key to economic recovery and there are big plans in our Food Harvest 2020 report to promote the sector and grow exports. There is a surge of young people entering agricultural colleges and food courses and there is a sense of hope and vibrancy for the future.

Harnessing that renewed optimism is essential for the sector. How the markets play out in the future, how we manage globalisation, market volatility, rising input costs and changing weather patterns will all impact on farming and its economic and environmental sustainability.

Everything about agriculture in the EU is unpinned by the Common Agricultural Policy now in its 51st year and despite criticism still relevant and working.

This year we in Ireland mark the 40th year of accession to the then EEC. We share that landmark with the United Kingdom.

The objectives of the EU agriculture policy were first defined in the Treaty of Rome in 1957. The Common Agricultural Policy was launched in 1962. The objectives have remained steady over its 50 year history and it is worth going back to the original Treaty of Rome to read once again the content of Article 39.

1. To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour.
2. Thus to ensure a fair standard of living for the agriculture community, in particular by increasing the individual earnings of persons engaged in agriculture
3. To stabilise markets
4. To assure the availability of supplies
5. To ensure that supplies reach consumers at reasonable prices.

Today we face new and different challenges - including the impact of globalisation on agriculture. Globalisation impacts on markets, and volatility, on consumer trends, on attitudes and on consumer demands relating to food and sustainability.

We have witnessed to all our costs the impact of globalisation on the financial sector - this has reinforced the need for better regulation.

Mindful of the pivotal importance of agriculture and food to the security of nations, it is worth asking ourselves how we can regulate and manage this sector in the face of globalisation, which brings with it both opportunities and threats.

In its long history, it is significant that agriculture is the only really common policy which the EU has established and developed. And while there are critics of its cost, these pale into insignificance in terms of the sectors delivery to society - though I expect some in this house to disagree with me on this point.

But what is abundantly clear is that the objectives of the CAP are as relevant today as they were in 1957. Indeed I would suggest that the first objective of increasing productivity by promoting technical progress needs new life breathed into it.

#### Role of EP

Those who remember previous reforms of the CAP will recall a process that was opaque - certainly much less transparent than the current reform process.

In the past, the Commission proposed and the Council opposed - in varying degrees with Member States defending their own national interests in the process. Very often a late night meeting clinched the deal. It was only days and weeks afterwards that the full import of the decisions emerged.

The entry of the European Parliament into the reform process has certainly made it more transparent, more open to democratic scrutiny but undoubtedly the process is now a great deal more complex.

There is a price for greater openness.

That price is greatly increased complexity.

And many, many, many more meetings.

For those of us directly involved, explaining the process can be daunting!

For those watching - especially farmers attempting to plan their farming enterprise and concerned about the policy reforms - it must be impossible to comprehend the many reports, articles, amendments and meetings - formal and informal - which accompany the process.

I urge farmers not to try and second guess the outcome of the reforms. Even for me, directly involved, I would not gamble on the outcome.

Parliament's demands

The Agriculture Committee of the European Parliament, as lead committee, has repeatedly called for a fairer and greener CAP.

The EU Commission has proposed measures to make the CAP greener and fairer, but the proposals have been roundly criticised. Some argue that they do not go far enough, other that they go too far. Finding common ground between these two extreme positions is a tough task but it is under way.

I belong to the centre-right political group - the European People's Party - and within our Group as is the case within other political groups of the parliament there is a wide range of views about the future direction of the CAP.

There are still MEPs who believe that there should be no reform at all. And there are those who want the CAP scrapped.....

I mentioned earlier the objectives of the CAP as laid down in the Treaty of Rome. In line with the objectives of the EU 2020 strategy for smart, sustainable and inclusive growth, the stated objectives of the new CAP are:

- Viable food production;
- Sustainable management of natural resources and climate action and;
- Balanced territorial development.

In the light of your conference theme on farming in society, the issue of territorial balance is a major one.

In all of our debates in the Parliament a great deal of time is spent discussing how we can ensure the survival of farming in difficult and remote parts of the EU. The territorial aspect of the CAP is perhaps its unique selling point and that desire to keep rural areas attractive as places to live, work in and visit is important.

Pillar II, Rural Development policy is regarded as highly significant to ensure territorial balance, but so too are Direct Payments in Pillar I.

Our real dilemma is that we do not know with any certainty how much money will be available for the CAP budget post-2013 and more alarmingly we fear that cuts to rural development will be deep with negative consequences for regions of the EU which rely more heavily on Pillar II payments.

Territorial issues are a major debating point.

For example the abolition of milk quotas in 2015 is a cause of concern for some MEPs who fear that milk production will simply end in disadvantaged regions of the EU as

farmers struggle to make money in areas that are less competitive. This concern is fuelling a debate about how to use the CAP to avoid these undesirable consequences.

Likewise there is growing attention being paid to the vulnerable livestock sector. Several Member States want to ensure that the sector is not negatively impacted by the proposal to move direct support payments to a flat rate per hectare.

In the compromise amendments to be voted on by the Parliament there is flexibility provided to Member States to structure payments in a way which helps to secure the vulnerable livestock sector while avoiding a return to production linked payments which would be against WTO rules.

Fundamental questions have also been asked in our debates about whether it is justifiable to give the same level of payment to each hectare regardless of what farming system is practiced, especially then the labour requirement differs so widely across the sectors.

**I expect this issue to be a major one when the Parliament and Council sit down to negotiate the details of the reforms.**

The experience of a flat rate system as it operates in England will be worth reflecting on.

Territorial balance is important because EU citizens have an expectation of a living countryside managed by farmers.

This is important. The EU countryside and its varied landscape is a product of management by farmers and their families. The hedgerows, mountain pastures, rolling green hills, wetlands and forests are there because of the constant attention of farmers. It takes people and people with knowledge and understanding to maintain our countryside.

Remote management of our landscape by bureaucrats just does not work.

We saw to the detriment of our hills how policy decisions of the past, which worked on paper, translated into problems when put into practice.

I have discussed with experts in DG Environment about the fact that without farmers actively managing the countryside and doing so in many cases on low incomes, it would be impossible to maintain what we have and what we value.

Keeping farming alive in difficult regions is important for the maintenance of the landscape, for jobs and for keeping a living community in rural areas.

There are genuine fears about land abandonment, village decline and a lack of young people in remote parts of the EU. These issues weigh heavily in our debates in committee.

But so do concerns about a competitive, productive agriculture and about food security.

The issues are not mutually exclusive but require different solutions and with the CAP budget under pressure, this question of better targeting support and focusing on results is really important.

I would argue that the reforms should concentrate on outcomes NOT headlines.

Money talks

It is perhaps unfortunate but understandable that much of the focus of the debate on CAP reform is on the future of Direct Payments. Money talks, but getting our market measures right and our rural policy re-orientated is also important but far less debated.

The money debate has two dimensions. Redistribution between Member States and within Member States.

The new Member States of the EU are vocal in their opposition to continuing a situation where their farmers receive less in Direct Payments than farmers in the old Member States.

MEPs from these countries object vociferously to this situation and will vote against any proposals which fail to meet their demands for equal payments.

I am concerned that this contentious political issue will divide the Parliament and I expect that the position of MEPs from these countries will be reflected in our vote in January.

We will be watching the February meeting of the heads of state and government with interest to see what emerges by way of agreement on redistributing money between Member States.

In an era of budgetary austerity, the only way to meet the demands of the new Member States is to take money from those countries with higher payments - a difficult process for those Member States that will lose out, especially if they are net contributors to the EU budget.

The focus on the money has blurred the focus on the policy shift - which is towards paying farmers for public goods - including those public goods which many of our citizens place a high value on and which show up time and again in attitudinal surveys.

## Greening of the CAP

The issue of greening of the CAP is accepted in principle by the Agriculture Committee but not in practice. There is strong opposition to the three greening measures - crop diversification, permanent pasture and ecological focus area - as being too prescriptive and likely to lead to an unwelcome increased bureaucracy on farms.

By far the greatest opposition is the requirement for farmers to have 7pc ecological focus area on their farms.

This was dubbed "set aside" from the outset and for those deeply opposed to it, it remains set aside and as such deeply unacceptable at a time when grain prices are high and consumers under pressure to pay the price.

The underlying environmental reasoning for these EFAs is poorly explained and poorly understood. The importance of biodiversity, soil management and climate change measures are acknowledged but there is no clear agreement on how to integrate these concerns into the policy framework. A blank one size fits all approach favoured by the EU Commission is unacceptable.

## The process

Let me say a few words about the process by which the Parliament engages in the reform process. As you know some 7000 amendments were tabled by individual MEPs to the

Commission proposals. Unusually, MEPs not on the Agriculture Committee were actively involved in the process. And the hand of Member States was also visible.

The job of reducing this massive number of amendments into something coherent fell to the negotiators from each of the political groups in the Parliament.

As the negotiator for my group - the European People's Party - on the negotiations involving reform of the Direct Payments regime, I waded through the many amendments to find a common line.

Then with the representatives from the Greens, the Liberals, the ECR/Conservative group, and led by our Rapporteur Socialist colleague Luis Capoulas Santos MEP, a former agriculture minister in Portugal, we sat down to try and reach compromises across the political divides.

This small group aided by a small groups of Committee officials and staff attempted to reach agreement on a whole range of articles in the reforms.

Only in two areas did we fail to reach a compromise - namely on the capping of payments and on coupled support.

In these areas we will vote on all of the amendments tabled to find where the Committee's middle ground is.

On the proposal for a green payment, a basic payment, definition of active farmers, small farmers scheme and payments for young farmers we have managed to reach a compromise text. And these will be voted on later this month.

But that is only half the battle.

In the coming days these compromise amendments will be translated into all official languages.

For those of us who have been negotiating we face difficult days ahead of the vote to keep our colleagues on side as they unpick the details and see things which they dislike. We need to work hard to secure a decent majority.

Our work is being constantly pulled back by uncertainty over the budget for the CAP.

Those who have kept a really close eye on the process understand and respect the need for compromise on all sides. We will undoubtedly have difficulty in persuading those less involved to stick with us in this first stage of the process. It will be a significant sign of the maturity of the Parliament and the effectiveness of political groups if we get the much needed significant majority support for our compromise amendments. We are keenly aware that if the Parliament appears divided then we will be weakened as we approach negotiations with the Council.

## Farming and society

I have been asked to give my view of what farming offers to society. This question is often phrased in such a way that says - *apart from food* what does farming offer to society? It is frankly a poorly constructed question. First and foremost farming delivers food - the most fundamental human need and without which we cannot survive.

Perhaps to its detriment EU agriculture has delivered food in abundance and this key product of farming is therefore taken for granted.

I believe that farming offers an intrinsic stability and security to society. We have just come through the Christmas and New Year period when people come and go, yet on farms in the UK, Ireland and across the EU farming life continued its daily schedule.

Cows were milked, cattle fed and sheep tended to. This essential service was maintained for all our benefit.

In rural communities farmers are a vital part of the community. They are always there, physically present. They above all else play a key role in voluntary community service in schools, sports clubs and churches. Life in rural communities would be significantly less vibrant without our farmers. And that is apart from the economic activity which farming brings to rural towns and villages.

So today we have this discussion about public goods and we are rewriting the policy with payment for public goods in mind. We are attempting to unpick and departmentalise what our farmers deliver to society - food included - and rework the policy to pay for those things for which today the market offers no reward or price.

So what are public goods? Landscape, clean water, fresh air, recycling of nutrients, protecting and enhancing biodiversity.

How do we put a price or value on them? In many ways we are using a very crude instrument of linking 30pc of the national envelope for Direct Payments for more environmental delivery in the current CAP reform process.

Can we get the market to work better?

Here is the conundrum.

The public value many of the intangibles about farming - fresh air, beautiful countryside but when it comes to food shopping they look for low prices, perhaps unaware that the choices they make in their shopping basket conflict directly with the things they appreciate about the rural countryside.

And there is the policy dilemma. At a time of reduced support for agriculture through the CAP, how can farm incomes be secured and protected, while at the same time offering consumers food at reasonable prices.

The key to this dilemma is both productivity growth, continuing direct support payments under the CAP and a careful analysis of the food supply chain and how it functions.

The EU Commission has through the high level forum on the food supply chain acknowledged that the system does not work. Farmers are price takers and relatively powerless in the supply chain.

The issue of fairness in the system is being addressed by a proposed gentleman's agreement on practices in the supply chain.

But there are questions about whether such agreements can deliver real and tangible results. It was instructive in the final meeting of the forum to listen to significant players in the food supply chain say they would change their mindset!

I would not rule out some form of legislation at EU level in the future to bring about the required change in behaviour.

But we also have to fix a defect in our current system of research and advisory services to farming across the EU. Currently we have farm organisations talking about farming, NGOs talking about biodiversity and environmental issues, with too little discussion between these groups about the way forward.

We need a holistic system of advisory services for farming which incorporates all of the environmental issues of concern, translating research knowledge into workable solutions at farm level. While it is taking shape in some Member States, it is absent in many.



Finally, it should not fall to politicians - even if we know and understand farming or bureaucrats in Brussels or elsewhere to micro manage farms. That is the job for farmers. In many of our lengthy meetings, I have pondered this question.

It is our job to look for new ways to get the policy framework right and leave farmers to make the all important farm management decisions in conjunction with their advisors and taking into account the economic and environmental concerns.

Lastly may I say a word of sincere thanks to the NFU for their constructive role in the CAP reform process. You have engaged with the European Parliament in an exemplary way, coming forward with constructive ideas and suggestions. Let me therefore thank Peter Kendell and his excellent team.

I look forward to continuing our strong working relationship into the future.