

Peter Kendall speech at Oxford Farming Conference 2014

CHECK AGAINST DELIVERY

I am almost at the end of my 8 year spell as President of the NFU; so I hope you will bear with me one more time as I outline a few of my thoughts on European – and British – agricultural policy.

Some of you may think I've said enough already, but I make no apologies for today revisiting this subject.

Getting the CAP right is absolutely fundamental, not just to us as **farmers**, but to **all** of us, our children, our children's children, inside Europe and out – **it's difficult** to overstate how much the future of the CAP matters.

Just before I start, and given that I'm about to step down, I also ask for some lee-way. Not everything I say is necessarily NFU Policy. I know there's sometimes been a view that NFU policy is what I invent on any given day, but that's never been true. I do need to warn you, though, that not everything I say this morning has been through our decision-making processes.

My starting point today has to be food security. That was, after all, at the heart of the Common Agricultural Policy over half a century ago.

And I do believe that one of the biggest achievements of the NFU (and with the help of others) over recent years has been to put food security back onto the political agenda in this country.

It is now there, but my question is this: does the Common Agricultural Policy, as agreed in Europe and implemented in the UK, really reflect this new reality?

The CAP has always had an awful press over here. Often this is out-dated and ill-informed: only a few weeks ago the RSPB was still harping on about butter mountains and wine lakes.

So what I need to be really clear about is that the objectives of the CAP, laid down in the Treaty of Rome, remain **exactly right 55 years later**. But – and this is important – they are **very** very often misquoted.

The first objective is – and I quote:

“to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production

and the optimum utilisation of the factors of production, in particular labour”

Now comes the key word...“thus” –

thus to ensure a fair standard of living for the agricultural community...etc.”

In other words: everything else is subsidiary to increasing productivity.

Promoting technical progress – **science** – is important. Development of production should be rational

- not, in other words, keeping lots of farmers everywhere in Europe if that’s not what the market, or agronomy, dictates.

And **Optimum use of the factors of production?** - surely that’s sustainable development as we now know it.

What’s **not** there is as important as what is

- and what’s not there is **any hint of a social policy**.

So let me repeat the original objective;

“to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production

and the optimum utilisation of the factors of production, in particular labour”

Looking at what we have now, after the deal last June, makes me **wonder** how **all of this** has been forgotten!

One of our Defra Ministers has been going round the country saying farmers should stop complaining that the CAP isn't fair, because it's **never** been fair or common.

I want to take a look at that proposition today, first from a European and then from a British perspective.

From a European perspective, let's remember why we had a CAP in the first place.

Before Europe had a common market, each country had its own agricultural policy (and Britain had its own before we joined the EEC). If farmers were going to be expected to compete in the same common market and we were going to strive to meet those original objectives; there had to be a common agricultural policy. If **not**, there would be significant distortions of competition. It was as simple as that.

And, at first, the policy **was** common. It was a price support policy and the support prices were common across Europe.

A price support policy worked in a period of shortage. It couldn't work in a period of surpluses in the 1980s (the mountains and lakes which disappeared a quarter of a century ago) or when agriculture first came under world trade rules.

So, successive reforms slashed support prices and gave direct, coupled, payments to farmers as compensation. Again, these started out fair and equal.

We know the problems with coupled payments :-

- a) they were very complicated to administer, and
- b) they distorted the market because they encouraged farmers to produce in order to get the payment, not to meet a market demand.

The NFU championed decoupling- the only farm organisation in Europe to do so - and in the end this policy was adopted by Franz Fischler and pushed by the European Commission.

It was, and is, the right policy. Unfortunately it was undermined by two fatal mistakes.

First, to get agreement in Europe there had to be a large degree of **national flexibility** (for example we saw the introduction of modulation, partial coupling, historic or area payments).

That's **important** – it meant that the policy stopped being common.

And second, the implementation in England was a pig's ear. That pretty much wiped out the positives, at least for the first few years.

Franz Fischler was in many ways an admirable Commissioner. But I believe he made one big error. Apologies for getting technical here,
- but this has a lot to do with where we find ourselves after this last Reform.

The original CAP had two divisions:

- the **guarantee section** which ran the price support policy,
- and the **guidance section**. The guidance section was originally designed to be far more important – it was the mechanism which was meant to increase productivity in line with the main objective of the CAP.

In 1997 the EU was enlarged to bring in Austria, Finland and Sweden. In the first two of these countries,(Austria and Finland) farming was politically very important, but not very productive. Fischler, an Austrian, became Commissioner.

What did he do? He unravelled the original structure and brought in the 2 pillar structure we have today- pillar 1 direct payments and pillar 2 rural development. **That's how we came to have a 'rural development' policy.** I'll come back to this in a minute.

Fast forward to the Reform agreed back in June. I have said from the start that this was a huge missed opportunity to correct **the** mistakes of 2003 and make the policy (as has been the NFU objectives throughout this reform process-) more common, make European agriculture more productive (as per the Rome Treaty) – not less – , more globally competitive and more market oriented.

But instead of this **strategic** vision we got a tactical defence of the budget with the introduction of populist elements (greening, capping, small farmer and young farmer aid and so on).

This is a profoundly **wrong** direction and, in my view, the reform has failed, even in its own terms.

It's all very well for me, as a farmer, to stand here and criticise where we are; but I do have an alternative vision for the CAP!

and it isn't too late to change things for the future!

Without getting too bogged down in the detail, here are 6 things that need to happen if we're going to create a CAP that works.

1) Improve governance.

The governance arrangements are now impossible, with 28 member states and co-decision with 3 institutions (Commission, Parliament and Council).

It is a miracle that anything was ever agreed in 2013. It was only the skill of Simon Coveney, on the one hand, and a series of shady backroom deals on the other that brought it about.

But the decision making process is enshrined in the Treaty of Lisbon, and we're not going to change it.

So, for me, there's only one way forward. We must stop trying to agree very prescriptive and detailed regulations (like, for example, the girth of a tree that can qualify as a feature in the Ecological Focus Area) and strip things down to the bare essentials:

a very simple, decoupled payment,
declining over time,
converging to a common rate per hectare for the same land quality,
with no national opt-outs or complicated conditions.

2) Make the food chain work.

If the aim is to wean farmers off direct payments over time, then we have got to focus on ensuring that farmers can get a fair return from the market. It's an area where we are ahead of the game in the UK - with the Groceries Supply Code of Practice and an adjudicator, **and** a dairy contract code. But we still have a way to go, and there's much more to be done at European level, and that's why I chair Copa's food chain working group.

3) Base things on science.

As I said earlier, the Treaty of Rome called for the promotion of "technical progress".

We **must** make sure that regulation is evidence and science-based. And that products are approved for sale, use and cultivation if they are safe.

We must stop the excessive use, and abuse, of the precautionary principle. There was recently a very interesting approach by the CEOs of 12 of Europe's biggest corporate investors in R&D to the President of the Commission, urging the adoption of an "innovation principle" to sit alongside the precautionary principle. This is worth exploring. As farmers, we know reward follows risk. The same is true for countries, and even for whole continents.

4) Review competencies.

Our government is right to be looking at competencies and who does what.

I am absolutely clear that Agricultural Policy should remain a European competence, for the reason I gave before. Put simply, if we are competing in a single market we need a common policy to avoid distortions that 28 national policies would bring.

But I have a very controversial proposal. Going back to the 2 pillar policy point, why do we need a European Rural Development Policy? We don't have a common urban policy, or even a common suburban policy. Rural development should be a national affair.

That's not to say that there doesn't need to be a European **Structural** Policy to help under-developed European countries, some of whom may have rural regions that need help, but that's a different thing altogether.

Nor am I being in the least bit **anti-environment**. The UK, and other net contributors, will save money from my proposal. It should be a **national** decision on how much will be spent on agri-environment schemes, without going through the divisive mechanism of modulation.

5) Environmental protection or enhancement?

In the same vein, I suggest that environmental protection **must** remain a European competence- otherwise different national rules and regulations will distort competition.

But why should environmental **enhancement** be dealt with at European level? Different countries have different issues and priorities, let them decide for themselves.

6) **The next Commission.**

In this country, when we had unsympathetic British governments, we sometimes used to think the European Commission was the only defender of productive agriculture. Now we're not so sure. We will get a new Commission next year. We want one that **points forwards towards progress**, not backwards towards protection. A Commission that champions and promotes a competitive European agriculture.

Those were a few thoughts on European policy. I'd like to finish with a few comments on *British* government policy.

I have often criticised the way British governments have played their hands in Europe. The obsession has been with cutting the budget. I don't necessarily object to that as an ambition, but there are ways of going about it. The 2005 Treasury/Defra position was that direct payments should go in 2020; the Coalition has modified that to "in 2020 or soon after".

We said at the time it would be counter-productive and it turns out that we were right. Our European partners soon get fed up with a stuck record, they don't listen and the UK ends up marginalised. What we **should** be doing is finding a coalition of the like-minded - those who are prepared to push for a more competitive European farming sector so we can phase out direct payments.

I have also been quite vocal about the **Curry Commission report**. I know it came at what was a black time for British farming back in 2002. But its thrust was wrong: food production could never be profitable, so farmers should diversify or be paid to manage the countryside, and modulation would pay for it.

Times have changed, but has the policy?

I can't tell you how exasperating I find the Treasury rhetoric that pillar 1 is "free" or "wasted" money, while pillar 2 is praised as being about "public goods".

Seriously, if the Treasury really feels like that, why has our own government agreed to a massive cut in the UK's pillar 2 allocation and also cut its own contribution substantially? But, leaving that aside, I can assure you that I can give a whole list of shocking examples of money wasted in pillar 2.

And although economists call pillar 2 “public goods” that’s *not the same* as “*what the public wants*”. Survey after survey shows the British public sees the number 1 priority for the CAP to be about helping farmers produce affordable food and to secure a domestic food supply.

And the final irony is that a lot of money spent on rural development goes on bribing farmers to reduce or even stop production. In other words, to make them **permanently dependent on public support!** A strange way to reduce public spending.

Finally, I'd like to come back to the view that the CAP has never been fair or common.

In recent years, and particularly after this latest Reform, that may be true, but it hasn't always been the case. In fact, when I look back, most of the decisions that have penalised British farmers have been made in *London*, not Brussels. Here are just a few examples from a long list:

- [The common support prices that were the basis of the old CAP began to break down when we had currency fluctuations. A fiendishly complicated system of Monetary Compensatory Amounts (MCAs) was invented to restore equity. More often than not, the British government manipulated the system to the disadvantage of our farmers.]
- When we had a guidance section to the CAP, government after government never made any claims on it; they preferred to get some of the money back in our budget rebate rather than spend it on improving our productivity. **And**

that's why, to this day, the UK has the worst pillar 2 allocation of any member state.

- Right at the tail-end of the Agenda 2000 CAP Reform the French socialist government slipped in, unnoticed, the facility for voluntary modulation. The French government soon gave up using this, because its own policy became a fiasco. The UK picked up the idea and for years was the only government in Europe using it.
- Having told the NFU all along that England would use the historic model for implementing decoupling, Margaret Beckett changed her mind at the last moment and introduced a fiendishly complicated “dynamic hybrid” that led to farmers going unpaid, massive fines, and the UK becoming a joke in Europe. That still rankles!
- In 2008 the CAP “Health Check” abolished compulsory set aside. Again, slipped through at the last minute was a facility for replacing set aside at national level. Having never discussed it with us, Hilary Benn announced that he planned to use this in England. **It took a massive effort to shift him.**

A depressing list. Which is why I would like to **thank Owen Paterson** for resisting the temptation to set modulation at its maximum and for taking a sensible, and brave, decision. There were times when I thought this was going to be the last item on my “own goal” list but I am happy to give credit to Owen today.

Conclusion

I hope this is just a first step and that my successor gets to work with a government that **promotes**, rather than disadvantages, its own farmers,

and that dares to be **part** of the debate in Europe, working to improve agriculture's competitiveness instead of standing on the sidelines.

And finally and critically that designs a policy **in line with**, rather than out of tune with, the massive challenge of global food security.