



# POLICY BRIEFING

April 2015

## One ambition for EU agri-food sector, **ambitious policies**

**Summary:** The EU's ambition for agriculture, enshrined in the Treaty of Rome, is to meet the needs of its citizens. This ambition remains as relevant as ever and today it is coupled with recent economic upheaval, a need for sustainable and responsible production, and a responsibility to meet the needs of international partners. This policy briefing looks at agricultural policy development and the surrounding societal climate and motivations, as well as the questions that arise from these.

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European agriculture was forged in the wake of the Second World War through the ambition of its leaders to provide food and economic development for Europe's citizens. This ambition, shared by all the Member States (MS), found practical expression in the Common Agricultural Policy (CAP). By adopting the CAP the Member States had taken the eminently political step not only to give up most of their national prerogatives in this policy area but also to develop the sector, rural areas and agri-business on a European scale – sharing resources, instruments and rules to do so.

And as a voluntarist policy of investing in European agricultural production – of organising and restructuring the sector and its component industries – the CAP has borne fruit: rural areas have been economically transformed, production targets have been reached, and European food security has become a reality. What's more, consumers have benefited from affordable food.

The 1980s brought a new challenge: a need to manage the growth of agricultural production over and above the basic food supply needs of Member States. This implied, in turn, a need to manage Europe's position on world markets. With action needed, policymakers decided to (a) align agricultural prices with prices on world markets by switching from price support to income aid for farmers and to (b) manage production of the principal agricultural products (through set-aside schemes, production quotas, etc.) so as to reduce the cost of the CAP.

From the ambitious development-oriented CAP that had been, Europe thus slid towards a policy of managing production and finance.

During the 2000s CAP reforms sought to decouple the link between CAP subsidies and production *per se*, the idea being to transfer full responsibility

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for production decisions to producers, who would have to take market expectations and requirements into account. Agriculture support thus switched to a system of flat rate payments, calculated on the basis of individual reference amounts, themselves determined by past entitlements. Rural development became a new goal with measures introduced around three priorities: agri-environment, investing in agriculture, agri-food and non-agricultural development. These were spending plans requiring Member States to devote a part of their national CAP allocations to each priority, with an obligatory minimum share going to each.

The 1990s and 2000s saw the CAP turn into a policy for European insiders and funding specialists. Slowly but surely, a ‘comprehensibility gap’ opened up between citizens and tax payers and what was still Europe’s principal policy – and force for collective European action.

As a result, the question of why the European Union (EU) should continue to invest in agriculture arose. The budget allocation for agriculture was openly on the agenda throughout the discussions taking place in 2009 and then in 2010 on the European Union’s budget for the 2014-2020 period.

A central goal of the CAP reforms of 2013 was therefore to reconnect agricultural policy with the concerns of European society. It would achieve this by reasserting farmers’ roles in meeting society’s aspirations in relation to food safety, stewardship of the environment and the economic development of the European Union.

Europe’s ambition for agriculture, enshrined in the Treaty of Rome – is to meet the needs of its citizens – and this ambition remains as relevant as ever.

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Yet, citizens' needs have changed. They have become more complex.

The food crises that the world has experienced since 2007 and the already visible effects of climate change have served as cruel reminders that food security is not a thing of the past but a clear and present concern for the European Union today.

The challenges are:

- to remain a producer that is capable of independently ensuring a secure food supply for its citizens;
- to be able to produce in a responsible and sustainable manner in a world in which natural resources are fragile and limited: responsible meaning refusing to outsource the obligation to manage resources; sustainable because we owe it to future generations to preserve their ability to feed themselves and live in a quality environment;
- to be in a position to meet the needs of its international partners in a context where ensuring the global food supply is set to remain a shared challenge for decades to come, while at the same time developing agriculture in the world's regions and being able to maintain a reliable supply to international markets. The European Union is the only major agricultural region that enjoys relatively stable production conditions and as such bears a particular responsibility to provide a reliable supply to international markets – which are characterised by structural deficit – i.e. to play a stabilising role for the development of agriculture in less developed regions in an open global economy.

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Society's new awareness of the importance of 'common resources' and public goods, such as water, air and soil as well as more generally the land in which Europeans live, has put the farmer back at the heart of societal challenges.

The farmer is both custodian and manager of the environment. S/he is the person to whom citizens both want and must entrust its stewardship, albeit under a watchful, even critical, eye with regard to the practices they are reputed to use.

It is not always easy to reconcile the different positions; with productivity often equated with productivism *per se* and the conditions for sustainable management often equated with a confusing array administrative bodies.

Yet, everything points to there being an objective convergence of interests between agriculture and sustainable resource management: there can be no management without the managers, the farmers, who are present over the whole European territory, just as there can be no long-term future for agriculture without sustainable resource use. There is simply no alternative. In light of the short-term pressures stemming from economic upheaval, creating the conditions in which those working in agriculture can plan a career with confidence has become a shared political responsibility.

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A number of questions arise:

- Does the goal of policy efficiency require a results-oriented rather than an input or process oriented approach (i.e. imposed technical management)?
- Does a social contract, based on mutual trust and cooperation between farmers and citizens, not deserve to be actively backed by political leadership as a strength and priority?
- How can farmers' long-term business strategies be supported to cope with short-term market uncertainties?
- As the true solutions for the future, should innovation, investment, the conservation of common resources, and the production of non-marketable public goods and services for society be more effectively linked in policy?

The Treaty of Rome made economic development both an ambition and a priority. Today, as European growth drifts in the doldrums, does the Union have the luxury of not supporting such a sector, such a source of foreign income, as part of the development plan for its different regions?

> Agriculture in Europe sustains 10 million full-time jobs (4.9% of the active population) and has an annual turnover of €394 billion (2013). It is also the mainstay and platform for an agri-food industry employing 4.1 million men and women and generating an annual turnover of €956 billion.

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> Agriculture in Europe ensures that the lands around us and in which we live are accessible, maintained and able to support the development of other economic activities. Like constructing a building on sand, it is illusory to believe that rural development can be successful without agriculture, even if the relative weight of agriculture in the economy means it is easy to neglect.

> The economic recovery of the EU will require a fresh ambition for our agriculture and agri-food sectors. Politicians must provide them with encouragement and reasons to believe in the future. Development opportunities do exist both in Europe and in non-European markets; a reality that our major international partners have clearly understood and that certain MS also explored at the height of the recent economic crisis. Arising from segmenting markets, these opportunities come in many forms. Will the European Union be able to support agriculture and agri-food to develop and internationalise by taking these opportunities through audacious trade, sectoral and industry development policies; or will it prefer to stick to a policy narrative centred on producing and selling high-end products?

Tomorrow is forged today. Is Europe ready? Are Members States and regions ready to believe in the future of the EU? To believe in the future of its agriculture and agri-food industry? To foster innovation and investment and to map out the route to effective sustainable development?