

Speech by Franz Fischler at the Agricultural Council (Brussels, 15 July 2002)

Source: RAPID. The Press and Communication Service of the European Commission. [EN LIGNE]. [Brussels]: European Commission, [24.06.2005]. SPEECH/02/342. Disponible sur <http://europa.eu.int/rapid/start/welcome.htm>.

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URL: http://www.cvce.eu/obj/speech_by_franz_fischler_at_the_agricultural_council_brussels_15_july_2002-en-bdb7f616-0755-4253-a469-e23d3b0c79ee.html

Publication date: 06/09/2012

Address given by Franz Fischler, Member of the European Commission responsible for Agriculture, Rural Development and Fisheries (Brussels, 15 July 2002)

Presentation of the CAP mid-term review at the Agricultural Council

Ladies and gentlemen,

I am delighted to have this opportunity for a first debate on the proposals for the mid-term review of the common agricultural policy, and I would like to congratulate the Presidency on its idea of staging a public debate, for it is from this very public that criticism has lately been rising against the CAP.

The current criticisms of the CAP are a sign of a widening gap between the positions of farmers and of civil society. And so we urgently need to take steps to restore mutual understanding. This cannot be achieved unless farm organisations and farmers, on the one hand, and civil society, on the other, avoid talking at cross-purposes and instead start listening to each other and acting accordingly.

Civil society is right to support a common agricultural policy that provides incentives for producing what people want and not what attracts the highest subsidies. And time and again, opinion polls confirm that what people want is healthy, good-quality food together with a healthy environment and a viably-managed farming landscape.

What they do not want is subsidised overproduction that also distorts markets to the detriment of developing countries. Civil society is right to call for stricter controls, a faster expansion of rural development policy and the scaling-down of direct payments.

But farmers are also right to demand to be freed from tedious paperwork and allowed to return to being businessmen, producing for their customers rather than at artificial prices for an artificial market or intervention stocks.

And farmers are also right to demand due reward for the quality products they supply, the environmental services they perform and their role in the upkeep of the countryside - in other words, for all the products and services that they provide for society. Direct payments remain essential in this context, since market prices alone are not enough. And we have to free farmers from the red tape imposed by the CAP, so that they can spend their day working their farm and not wasting it on paperwork.

Faced by so many challenges we can only say, like Seneca, that "the language of truth is simple". But this does not mean that it will be accepted by all concerned.

We do not, however, wish to reinvent the wheel. Quite the opposite: the goals that we set ourselves for agricultural policy in 1999 under Agenda 2000 are still very much valid today.

The EU needs a competitive farming sector that is kind to the environment, provides consumers with safe, high-quality food products and guarantees farmers a fair income. As it stands, however, the common agricultural policy cannot meet these goals. So we cannot afford to take a "wait-and-see" approach - we must take action now to adapt and develop policy.

The mid-term review of the common agricultural policy tabled by the Commission last week serves not least to provide more solid justifications for public spending on the farm sector. As well as supporting farm incomes, such payments must yield something in return - whether it is safer food, an intact environment, compliance with animal welfare rules, upkeep of the countryside, preservation of the cultural heritage, or greater social fairness and balance. The mid-term review will free farmers from red tape and encourage them to produce at high standards for the highest market return, rather than for the maximum possible subsidy. For Europe's consumers and taxpayers, the review will ensure better value for money.

To achieve those goals, the Commission proposes (1) decoupling production from direct payments, (2)

making direct payments conditional on cross-compliance with environmental, food safety, animal welfare and occupational safety standards, (3) substantially increasing our support for rural development, (4) introducing a new farm audit system, and (5) bringing in new rural development measures to boost quality production, food safety and animal welfare, and to cover the some of the costs of the farm audit.

As regards market management - still the bigger pillar of the CAP - the Commission proposes: (1) rounding off the reform of the cereals sector, in particular with a final cut of 5% in the intervention price and a revision of external protection rules, (2) abolishing intervention for rye, (3) reducing the specific supplementary payment for durum wheat and introducing a quality premium, (4) reducing the intervention price for rice, to be offset by compensation, and (5) amending the regimes for dried fodder, protein crops and nuts.

From the moment they were announced, reaction to the mid-term review proposals has been widespread. While it is true they have received considerable support, there has also been criticism from some quarters.

One frequent criticism is that the Commission has exceeded the terms of what was agreed at the European Council in Berlin. Such comments forget that the Berlin decisions did not rule out any new proposals from the Commission, they merely set the minimum scope of the mid-term review. It is also forgotten that after Berlin a further summit was held in Gothenburg at which the heads of state and government called for agricultural policy to be made more sustainable.

Above all, we can no longer afford to ignore the growing loss of public confidence in the present version of the CAP in the wake of a seemingly never-ending series of food scandals and crises such as BSE and foot and mouth.

Finally we must act to counter international developments that threaten our farmers' livelihoods, for example with border protection measures for cereals.

One thing is certain, however:

All the proposals made by the Commission in this mid-term review, including modulation and decoupling, are fully in line both with the goals set in Agenda 2000 at Berlin and with the financial envelope agreed there.

A second criticism is that the Commission proposals call into question the European model of agriculture. Such remarks are also wide of the mark.

The European model of agriculture is identical with the goals of Agenda 2000. The Commission continues to believe in this model. All we are doing is suggesting a series of measures that will make it easier to put into practice.

Everyone agrees that for this to be possible, we must first expand rural development policy. This can only be achieved by transferring more funds from the first to the second pillar. This will be done with the utmost care and nobody can claim that the market organisation regimes will collapse if the ratio of expenditure between the first and second pillars is reduced from 9:1 to 8:2.

A third criticism is that support for farmers under the CAP is increasingly coming to resemble a form of welfare, and is making farmers more and more remote from the market. The opposite is in fact true - in the past farmers were dependent not on real markets but rather on a trade-distorting artificial market based on intervention stores. In future, however, they will be freed to produce the goods with the best prospects on real markets.

At the same time, the increased funding flowing into rural development will be used to finance new measures to help farmers produce better-quality goods and goods wanted by the market, and meet the standards of production demanded of them. This will translate into better prices. Such measures include the

certification of products as well as the marketing of high-quality produce, products with geographical designations of origin and organic products. And in future, farmers who operate above the minimum legal standards for ethologically sound animal husbandry can expect to be rewarded with direct compensation for their extra costs.

And in any case, surely we are being much truer to market economics if all services for which there is a demand are fairly remunerated.

For this is exactly what will happen if we remove incentives to overproduce and gear the system of direct payments instead towards the public goods that modern society wants to see farmers producing.

A fourth criticism is that we want to scrap the blue box in the WTO negotiations. This is incorrect. We will continue to use the blue box, even though in Doha we voluntarily declared our willingness to reduce the amount of blue-box measures that we rely on.

The mid-term review of the CAP makes it much more likely that in the next WTO Round we will gain acceptance from our trade partners for our demands such as recognition for origin labelling, animal welfare, food safety and the precautionary principle.

Last of all, I would like to address a fifth criticism, concerning the timing of these proposals. Why now and not in 2006?

Quite simply because the changes are urgent. Because far from being unilateral concessions on our part, these reforms will contribute to a good negotiating basis in Geneva. And because the acceding countries also want to know what to expect.

Overall the mid-term review does not amount to a revolution, not even a mini one, but is a blueprint for a new CAP, more in tune with the needs of today - a CAP that will be stronger and more acceptable to the people of Europe.

I am fully aware that many farmers and farming organisations are not exactly queuing up to welcome these proposals. But I still believe it is important to be proactive, as open as possible and aware of the different interests of society. What we need now is a broad-based discussion, and I am pleased to declare it open.