Since its creation in 1962, the Common Agricultural Policy of the EU has been continually adapted to respond to the challenges of the time. In this fascinating interview, Dacian Cioloș discusses the processes and outcomes of the most recent reforms that will facilitate the success of European agriculture in the face of the current economic, social, environmental and climate-related challenges facing society.
What have been your main priorities as Commissioner for Agriculture & Rural Development?

The main priority of my mandate was to secure the rules for the Common Agriculture Policy (CAP) for the period until 2020. This has not only meant reaching agreement on the available EU budget for the CAP from 2014-2020 but also, most particularly, establishing more precise rules. Can you discuss some of the complexities and outcomes of the recent budget negotiations?

Under EU rules, the Commission has the main role of initiating proposals, which we then have to agree politically with the Member States (the Council) and the European Parliament (EP). Following the new Lisbon Treaty, we now have full co-decision making authority with the Council and the EP – a different method of negotiation than in the past; previously, the Parliament gave its opinion on our proposals but there was no obligation for Member States to accept the proposed amendments.

This was also one of the key reasons why I was keen to change the way in which we prepared the proposals. I thought it was more important than ever to involve wider society – not just the farming sector – when we started the process.

As a result, the first step in the preparation of our proposals was to hold a public debate about what citizens want from public policy. In a very lively process, culminating in a conference in July 2010, we identified three main policy objectives – producing food, maintaining natural resources and preserving the territorial balance in rural areas. It was therefore clear to me that we need to encourage the competitiveness of European agriculture, not only from an economic perspective, but also from an environmental point of view.

As far as the new EU budget is concerned – from 2014-2020 – we have indeed seen a reduction in the budget for the CAP in real terms. Of course, we would have preferred a higher budget, but I believe that we have also made a number of policy changes that will make this better value for taxpayers. In particular, we have pushed through a reform towards a ‘greener and fairer’ CAP.

Why is it becoming increasingly important to encourage the competitiveness of European agriculture both economically and environmentally?

European agriculture and food production have made enormous progress in recent years. Productivity has grown and yields for most products are as good as anywhere in the world. This is probably not a surprise. However, in the EU, 45 per cent of our soils and 40 per cent of our water resources are under threat. In short, our successful productivity gains of recent decades have put a strain on our natural resources and, if we do not pay attention, we risk not only losing some of our biodiversity and natural habitats, but also reducing our overall food production capacity.
With food demand forecast to grow significantly in the years ahead, it is clear that we must not only be able to produce more but we also have to produce better, in a way that respects a challenge that was unheard of 50 years ago when the CAP was founded – namely sustainability.

Because the benefits of sustainable agricultural production have not yet been incorporated into economic modelling – and such long-term considerations are not remunerated by the market – farming policy is the most obvious route to make sure that sustainability considerations are incorporated into food security equations.

Now that there is a political agreement on CAP reform, will EU agriculture be more ‘environmentally competitive’ in future?

I believe that while we have introduced a number of measures to address problems such as soil fertility and biodiversity loss, we have done so in a way – through our so-called ‘greening measures’ – which will make it more obvious to the taxpayer that farmers not only provide safe and sufficient food, but they also provide a range of invaluable environmental public goods which are not remunerated by the market.

The reform has made ‘greening’ a central part of the CAP from 2015 to 2020. In future, we will see 30 per cent of the direct payments which farmers receive from EU taxpayers directly linked to the provision of certain ecosystem services and sustainable agricultural practices. A further 30 per cent of rural development payments will also be dedicated to agri-environment and climate change related programmes, but it will be up to Member States or regions to decide precisely how to implement these schemes.

There have been accusations that the final deal is merely ‘greenwashing’ the CAP. Is this really a good use of taxpayers’ money?

The concept of paying farmers for the provision of eco-services is a paradigm shift. We have been obliged to leave some flexibility to Member States in precisely how they implement it, but I remain optimistic that this will make a difference. For me, the key point was to introduce changes through the system of Direct Payments, i.e. covering all areas and regions, and to achieve a real difference on an EU scale – as opposed to a much more patchy approach via Rural Development Programmes.

We have come a long way from the CAP of the 1980s and 1990s, when spending was dominated by public intervention, the famous grain and beef mountains, and export refunds – necessary to overcome the structural surpluses that were so inherent in the system. In 1992, we reduced the guaranteed prices and introduced the concept of Direct Payments to support farm revenues. In 2003, we broke the link between these and production through a move to ‘decouple’ the payments.

Another significant change in this reform has been the move towards a fairer distribution of Direct Payments – abolishing the allocations on the basis of historical reference periods (as was the case in most Member States) and generally reducing the differences between farmers – both between and within Member States. Under the previous rules, the average payment per hectare in some countries was 250 per cent of the EU average, while it was less than 40 per cent in others. With this reform, we have significantly narrowed the gap.

This is the ‘fairer and greener’ CAP that you mentioned earlier. What are the main elements of the reform?

The key point is that successive reforms have led to a more market-oriented policy. When a farmer decides what he is going to produce every year he no longer looks at the production-linked subsidies available from Brussels, he assesses the market to see where he can get the best price. It’s not a coincidence that we no longer have production surpluses. European agriculture is turning away from bulk commodities towards quality and added-value products. Indeed, if you look at the economic recovery in Ireland, for example, it is clear that the agri-food sector is a major engine for economic growth, seeing a 9 per cent increase in overall output last year and more than 10 per cent for beef and dairy products. But this growth is primarily due to increased exports of quality products, i.e. the value of our exports, rather than the volume. This is not only the case in Ireland. It is an EU-wide phenomenon, as Europe has seen continued growth. In 2013, the value of EU agri-food exports increased by nearly 6 per cent to €120 billion, and our trade surplus increased to €18.5 billion.

What is the basis for your focus on modernisation through generational change?

For me, this is very important, as young farmers tend to be well-educated, very much aware of the climate challenges ahead, and tend to take a longer-term perspective than someone who is 20, 30, 40 years older. However, this is not the only route being taken towards modernisation. Although young farmers are generally more open to innovation, one further important new element of the policy is the concept of our European Innovation Partnerships. This will bring researchers and farmers closer together and accelerate the technological transfer from the laboratory to the field and will be complementary to the doubling of EU public funding for agricultural research between now and 2020. When you look at the threats that our natural resources face, it is clear that we cannot address these issues without innovation.

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