

**AER Conference:**  
**“The future of rural development policy and rural regions”**  
Lillehammer, Oppland, (N), 29 February 2008

Neil Parish, MEP, Chairman of the Agriculture and Rural Development Committee  
*Check against delivery*

This morning, I want to talk about the politics of CAP reform. Indeed, at the end of the day, if you want to get the money into rural development, significant sums of money and change CAP, of course you have to have the right politics in the right scene set for that to happen. (You've got Soren here. He will give you all the technical details) I will now give you the political details. Can I give you health-warning right at the start? I am more liberal than my agriculture committee. My agriculture committee is much more conservative than I am. So, sometimes it will be perhaps more of my own view than necessarily the view that will happen at the agriculture committee.

What is interesting, I am a farmer. I was previously elected in the UK, in regional government, in local government. Many of you, I know, are councillors and people from different parts of Europe. I've had the whole gambit, and then I went to the European Parliament in 1999, sat on the agriculture committee for about seven years and last year I became chairman of the committee. Before my chairmanship, was Joseph Daul, French farmer from Strasbourg; some of you will know Josef as well. So that's where it stands.

For a long time, the Parliament was just a consultative body. I won't be too rude about the Commission but I think, sometimes, they probably took us rather for granted.

Yes, for now, we are a consultative body. If the Lisbon Treaty is ratified, by this time next year we will have a co decision power. So, it will make quite a lot of difference. It is going to be interesting to see through this health check how this whole system will work. I think, this is a test case of how co-decision will work in the future.

Certainly, that is the way the Parliament sees it. I don't know if the Commission sees it that way, we will see. We have an excellent Commissioner, I believe, in Mariann Fisher Boel, and an excellent commissioner to carry on the reforms of Franz **Fischler**. Because as you know, it is evolution, it is not revolution. Because, it is very much moving on reforms that happened.

And I just want to go briefly back to why do we reform CAP? Why do we want to reform CAP? There is a simple reason you all know that is « why was CAP set up after war? » It was set up to produce food, and it was very successful. The only trouble was, as we got into the 80s, you had too much food. And food was bought up in Europe, then it was being stored and then often dumped on the third world market, which just was not acceptable, as we moved into 2000 and so. And because we also had to, in my opinion, look at the way we dealt with the World Trade Organisation, and make sure we were not distorting trade.

So we had to come up to the policy, that helped farming, helped farming, helped rural development and didn't distort trade. And of course also, I mean it's probably not the same in all member-states, but quite a number of member states, probably, Britain and Germany in particular, but others as well, the taxpayers, who are paying the money, are beginning to question : « where is this money going ? ». And should be just carry on with the same old policies. That's what brought us to where we are.

So, with the Fischler reform of course came a final break really. And a lot of people don't realise how revolutionary it was from some member-states' point of view. There is say possibly France's point of view, that you suddenly broke the link between production and support for farming. So, no longer will be supporting individual number sheep per farmer or the number of acres of corn you produce what's called not the single farm payment. which is the general payment that goes to farmers. The idea is to just sort of to free them up to actually get on and farm for the market place. Because one of the problems with the old CAP was that when you were given support for the number sheep and cattle you had on your farm, in many ways it encouraged you perhaps to keep more cattle and more sheep, than that farm necessarily could sustain. Because of course you were drawing the subsidy on that.

While what you get with a single farm payment, the idea is that you manage your land and your farm in a way that is sustainable and also, hopefully get a better market price, because I think, we sometimes forget that agriculture is also a business and it needs to deal with the markets, like many other businesses do as well.

And it was part of reform, and I know what you are particularly interested in, was the money, then starts to move from (what we call in the jargon) the first pillar, which is the direct payment to farmers, to the second pillar, which is rural development.

And of course this is sort of what I want to talk about now really, the politics of where we are now?

Now, we have 5-6% of money in the moment that goes from first pillar into rural development. In the health check, there are several things. Let me first of all go through quickly the things that affect agriculture directly. One set aside will go you know this is when the 10% of land was made fallow and that will disappear. Because, if you going to have an agriculture policy, that is not linked to production, you can't have set aside. So therefore, that will disappear.

Also we are also seeing a very strong cereal situation, very strong prices, I'll go a little be more into that in a minute. And therefore, the idea that we were going to take out a lot of land out of production in Europe was just not sensible. Milk quotas have been in places since 1984. Finally we believe they would be phased-out by 2050. And in the meantime, milk quotas will be increased in European Union, and to create what the commissioner calls a soft landing. Maybe, you don't keep the pressure; I would say milk quotas as like a pressure cooker. You can't keep the pressure on and then suddenly release the pressure in one go. You have got to actually increase that quota, so to get farmers, to get a taste of freedom before they get there. You are also finally going to see export refunds and subsidies being phased-out and of course also most of intervention has now gone. Except of course we have recently reintroduced some private storage buy up of pork meats, because of the situation in Europe of over production of pigs. And that is something, I personally think, that we have to run away from, if we are going to possibly, properly reform CAP.

And then, to the bit you particularly like and that is that in the proposals from the commission, there is an increase in rural development spending of 2% in 2010-11-

12-13. So that is another 8% taking on top of what is in total I think 6%. So you are talking about 14%. So when we are talking about a 45 billions euros budget, you are talking about significant money; if you take 10% more you are talking about 4 billion euros. Then if you got much funding from government as well you start to talk about the serious sums of money. That brings me then into the politics of it all.

Because you will sit here today and say: « but what is wrong with taking 8% or 10% of CAP money and put into rural development?» If you talk to some of the member-states, and some of the agriculture ministers of some members-states, they find an awful lot wrong with it.

First of all, they will argue that the Fischer reform came in 2002-03 and as far as they are concerned, there will be no more modulation until you get to 2013. I personally think, this is the wrong way to go.

But there is a conservative approach there. Probably not in a majority, but there is a quite vociferous minority, and so it will depend really at the end of day when you've got 27 member states. When we are going to do this negotiation. It really depends on how the ministers line-up: will they line-up behind the Commissioner? - which I think is a good proposal - or whether they try to change it.

Because within the CAP proposal, the reform, certainly the article 69 (I will not go into all the details of article 69), but basically, it is a system where you can move money around the first pillar. So, therefore you can move in around direct payments to farmers without putting it into the second pillar, into rural development.

Monsieur Barnier, the French Minister of Agriculture, is getting terribly excited about all this. And that is where we've got to be very careful in my opinion. Because he is talking about crisis management and all sorts of things like that. I've said to Mister Barnier: «what is a crisis?» Because if it is truly a crisis, then like that, it's right to use money for it. But if you are trying to reintroduce the old intervention systems, then is wrong.

This is the big battle is going to be about. Is money going to be moved from first pillar into the second so that you can spend it in rural development. And that is key.

And of course don't forget that a lot of member-states have got to what we call co-finance rural development policy. So they don't particularly want to have to dig into their pockets. It's like everything in life, everybody wants to take money out of the hat but nobody wants to put money into the hat. That is what happens when you have these negotiations. This is where we are at the moment.

I think it is relevant, because we want to get a decent reform, we have got to get the politics right. From your point of view like I said if the commissioner's proposal go through largely as it is, then I think, there is a good potential for moving money into rural development. Then we have along with the Commission, yourselves, Parliament and Council, we have also to look to make sure that we spend that money wisely. Because one of the arguments you get in the agriculture committee and it may or may not be right is that we won't put any more money into rural development, because they would waste it anyway.

And that is an argument that is put forward, and I am not here to provoke you into riot or anything else, but I think I'm trying to tell you exactly the way the world is.

And of course, not only is the rural development side of it changing, but of course, what has changed over the last year is that a year ago, if I stood up to you and talked about : "What about food security? You will say well I have always thought that man was mad and now I am convinced he is mad. Of course, a year on, you can actually

talk about food security and the need for food. So, we mustn't forget that part of CAP, whether we like it or not, is actually food production. But hopefully, quite a lot of food security and production will be taken and helped by the market.

Because, the market is being helped to the moment not necessarily by what is happening in Europe, but was happening in China, Vietnam, and India.

There used to be, what we called a joke, that said if each Chinaman ate one more chicken a year, you would need 1,2 billions chicken, now there wouldn't be enough weed in the world to feed those chicken. But this is not actually a joke, because it is starting to happen.

When poor people get of bit richer what do they spent their first money on? Better food and more of it. That's why we are seeing the increase in the world feed prices and we are also seeing dairy prices increasing, because of the 4% percent increase in world dairy trade.

So all this is having a knock-on effect and you will say to me: why does that affect rural development?

It does affect rural development, for the simple reason that if we can actually get agriculture right, if we can actually get food production right, if we can actually get farmers earning a living without too much subsidy and support from the EU, then you can move that money to rural development.

But unless you've actually got that right scenario, it will not happen. And that is why, believe it or not, like I said probably what's happening in China and India, at end of day, could have quite a dramatic effect on high much we are able to reform the CAP.

And of course we've also got to look again at the CAP. Not only the cereal side - the dairy side is quite good - but of course the sheep sector - the beef sector is more difficult - because, they are in your special landscape areas, and those also have got to be looked after. Milk production, when quotas are gone in mountainous areas, there has got be some helps there. Because don't forget if you're looking for environment, it is not only just the environment for the environment sake. It is also the way that it's managed and looked after by certain aspects of agriculture. That is the other big challenge to us.

Water management will become a bit issue because like I said, coupled to the fact that China and India are taking in extra food, you have got Australia, into a third a drought, you have got huge problems in many parts of world, where the production is getting more difficult. Even in parts of Europe, there is quite a lot of problems with water. This year, in UK, we had too much water, but Spain and Bulgaria had too little and so on.

And so, even across Europe that are huge discrepancies in what's happening. Some of these might be cycles of climate, some others may well be climate change. Because, biofuels, all this things add to the issue. But of course, again, a year ago, when you had cheap cereals, you could say, «yes to put a lot of cereals into biofuel petrol ». But today it will be difficult to argue that particular point. And so we have got to move on a second generation of fuels, which are done with the breaking down of cellulose, some of these can be grown on more marginal land, all sorts of things can be developed...

And my final point is that into all of this occasion of CAP reform, of rural development comes he budget. And again, as I said you before, member-states want to take out as much as they can, and put in as little as they can. That is what the battle will be

about. There are many member-states as you well know have signed up to only 1% of GNI, or GDP. And that will be the big argument.

If we can actually get co-financing of agricultural policy, not just rural development policy, but if we could actually get some co financing of agriculture policy meaning that member-states would have to dig in into their pockets, it would allow member States politicians to go home to their people and say “we have contained the budget below 1% for the EU. But then of course, domestically you will have to contribute some more.” But, that would be easier for many domestic politicians to be up to sell to their voters than it would necessarily be to be raise above 1%. So as I said there are ways around this.

In the end days, I am reasonably optimistic that we are going to get change. But it will not be as fast as what you want, and it will not be as fast as what I want. But it will happen and it is happening.

And the big challenge then, is what is happening after 2013? Do we have a first or second pillar? I should take, we don't need it. We have to put everything together and look again at how we are going to run agriculture policy.

And I am hoping then that food prices can become reasonably good and we can then look at the way we spend the money. And in my opinion probably more wisely than we are at the moment.

Thank you very much. —