Tom Tynan, Member of the Cabinet of Phil Hogan, EU Commissioner for Agriculture and Rural Development, Address to Nuffield Contemporary Scholars Conference, Cavan, Ireland

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Introduction

Chairman, distinguished guests, fellow speakers, Ladies and gentlemen

If you were reading the Irish Farmers Journal the week following the COP21agreement in Paris last December you will have seen a very perceptive piece written by Mary Delany who addressed you earlier in the week.

You were also addressed by the Chairman of the Farmers Journal, Matt Dempsey and the Editor and CEO Justin McCarthy.

No doubt you are now aware that the Irish Farmers Journal is the largest farming publication in Europe with a weekly readership of some 275,000 people the length and breadth of Ireland.

It is also read by policy makers in Dublin, Brussels and other European capitals.

Mary made recommendations to help Irish agriculture meet the targets agreed in Paris.

She called for the establishment of a climate change action plan for the Irish dairy sector that would set out a structured framework to address the climate change challenge in Irish dairying.

Mary is a 2014 Nuffield Ireland Scholar. Her report was published last October and it is a must read for anyone involved in the Irish agri-food industry.

That to me, ladies and gentlemen, is what the Nuffield Scholarship Scheme is all about – the ability to influence the industry in a positive way.

Issues to be addressed

John (Tyrrell) provided me with a list of issues which he would like me to address over the next 30 minutes.

In a nutshell he has asked me to give you an insight into European Agricultural Policy while addressing a number of topical issues impacting the industry across the world.

I am conscious that in the audience today we have scholars from the EU, Australia, New Zealand and Canada plus guests from China, India, Brazil, USA, Paraguay, Indonesia and Zambia.

You all have different backgrounds and experiences with the potential to play hugely influential roles on the national and global agricultural stage.

Over the course of my career I have been able to view agricultural policy formation through the lens of a lobbyist, as Special Advisor to an Irish Agriculture Minister and currently as a member of Cabinet to the European Commissioner for Agriculture and Rural Development.

I have seen the EU evolve from 15 member states to 28 and the challenges this poses.

Role of the Commission

Before we start, let me say a brief few words about the role of the European Commission in the policy and legislative decision making process.

The Commission's Better Regulation Guidelines published in May 2015 state that policies should be informed by the best available evidence.

The Commission is the EU's politically independent executive arm.

It implements the decisions of the European Parliament and the Council of the EU.

The Commission speaks on behalf of all EU countries in international bodies in particular on Trade.

It negotiates international agreements for the EU.

Political leadership is provided by 28 Commissioners, one from each EU country.

Neither, the European Parliament, or the Council can adopt legislation without the other's consent.

Agricultural Policy

Agricultural policy is the most highly developed EU sectoral policy.

The Common Agricultural Policy or CAP is the ancestor to all common policies and is over 50 years old.

It remains to this day the prime means of action that the EU brings to bear in rural areas.

The 2013 CAP reform took a further step along the reform path started by Irishman Ray McSharry back in 1992.

At that time the very mention of the CAP conjured up for many European taxpayers images of butter and beef mountains, wine likes, high food prices, subsidised exports and so on.

EEC prices were held far above world market levels raising food prices higher than they would otherwise have been.

EU citizens paid twice for the policy – through food prices and in taxation to pay contributions to the EEC budget to meet the costs of intervention and surplus disposal.

The international criticism was that the CAP depressed and destabilised world markets.

It had to change and it did.

Policy evolution

European agricultural policy has evolved over the past two plus decades into a market orientated policy.

This means that farm businesses decide themselves what they want to produce and on the basis of what they are good at and where they can get a good price.

They are no longer looking to Brussels to see what support is available or being hemmed in by quotas.

The CAP has gradually shifted from the concept of safety net based on targeting price signals towards one targeting farm income.

Q. Has the policy been successful?

Looking at the last set of export figures, EU farm exports reached a record E128 billion in the period December 2014 to November 2015.

This was an increase of 6 per cent over the previous year, posting a positive trade balance of some E16 billion.

Q. But what do these numbers mean?

Every extra E100,000 of exports creates one additional job.

Latest figures confirm that farming employs 22 million people in the EU and together with the food sector provides 47 million jobs.

This illustrates the enormous contribution that the agri-food sector can make to the jobs, growth and investment agenda which is at the core of President Juncker's political guidelines for this Commission.

From the political perspective, this narrative of a positive and growing trade balance is critical to Commissioner Hogan's attempts to preserve the current level of CAP funding.

Value of the CAP

The CAP is worth E406 billion in the period 2014 to 2020 (the overall EU budget is upwards of E960bn).

E293 billion will be paid in direct payments covering 93% of the total agricultural area.

The balance of E113 billion will be paid out in pillar 2 measures accounting for 27 per cent of total CAP expenditure.

So we are talking about a sizeable amount of money – tax payers money and it is important that we use these funds in the best possible way.

Given the current refugee crisis and the ongoing threat of terrorism, pressure will focus on the CAP's budgetary weight in the overall EU budget – it accounts for 38 per cent of the total budget currently costing E58 billion per annum.

The EU is spending nearly 10 billion euro on migration related issues last year and this year. In addition the EU has agreed on a 3 billion euro package to help migrants who have found shelter in Turkey.

Q. Which is better to support farm income directly or to do so indirectly via price support?

Direct payments provide farmers with a stable income layer that is independent from market fluctuations, thus reducing income variability.

Direct payments also allow the clear transmission of market signals.

Climate Change

I mentioned Climate Change briefly in my introduction.

The potential impact of climate change as demonstrated by the recent severe flooding events across Ireland and the UK only serve to highlight the need to reduce emissions and make the world more climate resilient in the future.

The European Council conclusions in October 2014 recognises the low mitigation potential of agriculture.

The 2015 Paris Agreement also included acknowledgement of the "fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change"

It is generally agreed that if the EU's efforts are to be effective all Member States must play their part taking into due consideration each Member State's different characteristics in terms of emission profiles, mitigation potential, national circumstances and the resources available to them.

Going forward some key questions for policy makers could include:

1 - To what extent should environment and climate change be tackled by the CAP?

2 - How can the CAP help meet the new GHG emission reduction targets?

In the current CAP, the relationship between direct payments and agri-environmental measures has become more closely linked and more dependent on land management.

Taking Ireland as an example, its current Rural Development Programme is founded upon the fundamental national policy of making Irish agriculture even more efficient from an environmental point of view, through its low carbon schemes known as GLAS and its Beef Data and Genomics Programme.

E1.4 billion in funding is being provided to GLAS and E350 million to the BDGP in the period 2014 to 2020.

By enhancing climate smart agriculture we create a triple win

- Food security is boosted in a sustainable way

- Agricultural production systems are more resilient to climate change

- Greenhouse gas emissions are reduced or removed

Which brings me to Research and Innovation

The public budget devoted to agricultural research in Europe still falls short of the challenges of sustainable food security.

This is compounded by several member states having cut national research spending in the last years owing to budget constraints.

The European Commission supports research and innovation through the Framework Programme for Research and Innovation called Horizon 2020 and also through the second pillar of the Common Agricultural Policy.

Investment in research and innovation is key to keeping European agriculture competitive on the global market.

Just to maintain productivity levels in Europe requires significant research investments.

The present levels of investment in agricultural research and innovation at member state and EU levels are still considered in-sufficient by the EU Standing Committee on Agricultural Research.

While the funding available for Horizon 2020 activities in the 2014 to 2020 period is roughly double the amount in the previous period it is still only 3 per cent of overall funding at a level of E1.5 billion.

Horizon 2020 represents about 10 per cent of all investments made on agricultural research by member states. Therefore coordination is very important.

Innovation is boosted with the so called European Innovation Partnership which we call EIP AGRI.

In H2020, the EIP AGRI is implemented in projects through the multi actor approach which involves all concerned actors.

In the Common Agricultural Policy the EIP AGRI is supported mainly through Operational Groups in the Rural Development Pillar of the CAP to a level of around E1.6 billion.

Operational groups are projects set up to implement innovations.

Over 3200 such projects are programmed at EU level for the period 2014-20.

Rural development funds provide support for knowledge transfer and information actions, including training, coaching, demonstration projects as well as farm visits and exchanges.

It is expected that 3.9 million participants around the EU will be trained in the next years.

Until 2020, 1.4 million EU farmers can benefit from professional expertise of advisors.

It is internationally recognised that there is a 25 per cent return on investment in research and innovation but it can take up to 20 years to come to fruition.

Risk Management

The US decided two years ago to move away from direct payments to farmers and to reduce business risks through promoting subsidised insurances.

The US Farm Bill provides for crop insurance. These payments are regarded as safety nets to be used only when needed but are structured in a way they always pay off thus replacing direct payments which have been phased out.

More than 90% of these payments go to three crops namely maize, wheat and soybeans.

Any support that is price related may have a trade distorting effect on the world market. Therefore it has to comply with disciplines set in the WTO.

The new instruments foreseen in the Farm Bill such as the Dairy Margin Protection programme provide insurance to dairy producers when margins are squeezed.

When you compare incomes over the past 10 years EU farm income has been less volatile and has declined significantly less than US farm income in recent years.

This is not an accident but the result of a different policy design – one that helped turn the EU into a net agri food exporter during the same period.

This year farm sector profitability in the US is forecast to decline for the third straight year.

It looks like 2016 net farm income will be the lowest since 2002 in both real and nominal terms.

A drop of 56 per cent from its recent high in 2013.

Income insurance schemes were analysed as part of the Health Check during the recent CAP reform.

The conclusions of such analysis were that the introduction of an EU wide insurance scheme in the EU would imply a significant budgetary cost and therefore cuts in other parts of the agricultural budget and significant transfers among sectors and member states.

The risk management tool kit with the second pillar of the CAP gives more flexibility to member states to address their priorities.

Financial instruments are the key tool for leveraging and revolving the Rural Development budget.

The Commission has worked closely with the EIB to develop schemes that reflect the present and future needs of our farmers, foresters and related rural businesses.

Trade

The EU has a clear objective of continuing to open trade opportunities globally.

The Commission is actively supporting the establishment of new markets through various activities, most notably the very active bi-lateral Free Trade Agreement policy in the last 5 years.

Furthermore, the new promotion policy is now focused more on third country programmes to create new export opportunities.

The global context is favourable: world demand for agricultural products is increasing.

Worldwide, 800 million people are hungry, in some African countries this is up to 20 per cent of the population.

We all know the stats, between now and 2030, the Earth's population is set to leap from 6.9 billion to 8.4 billion.

This is a population increase in a decade and a half of nearly 22 per cent and with forecasts tending to be revised upwards rather than the opposite, we can be confident in these figures.

Of the additional 1.5 billion people that will be added to the global population 46 per cent will be added in Asia and 43 per cent in Africa.

According to several estimates, the global supply of food will have to increase by almost 30 percent by 2030 and around 50 per cent by 2050 if it wants to equal the rise in global demand.

The EU is currently the biggest exporter of agricultural products on the planet and, with the high quality and diversity of these products, we can do much more.

The Russian embargo underlined the necessity to diversify our export outlets.

EU agriculture must avoid being overly dependent on only a few major importers.

Access to new markets is therefore a top priority for Commissioner Hogan.

Now that the Trans Pacific Partnership agreement between the USA and Asia is over the line, we believe there is a real opportunity for a free trade agreement with Japan. This would generate good prospects for the beef and grain sectors.

Commissioner Hogan was in Colombia and Mexico last month seeking to reach agreement that we view each other's production rules and control systems as equivalent. This would cut red tape and boost exports.

The EU has a number of co-called equivalency deals in recent years including with Canada, Switzerland, Australia and South Korea. We are close to concluding a similar accord with Chile.

The European trade agenda is currently dominated by the negotiations with the US on the Trans Atlantic Trade and Investment Partnership known as TTIP.

It is the most comprehensive and ambitious trade agreement ever undertaken by both sides, creating a free trade area covering almost 50 per cent of global world trade and investment.

The Commission is committed to achieving a comprehensive deal and balanced outcome.

To achieve that balance, Europe will need some gains too. We will only conclude an agreement on such a basis.

The greatest protection that European citizens have is that any agreement negotiated by the Commission must be approved by all 28 member states and by the European Parliament.

Trade agreements should be looked also from a wider perspective. We can establish a platform for co-operation in agriculture where experience and know-how can be shared.

Trade has also been boosted by the agreement at the WTO negotiations in Nairobi last December which will see the elimination of all forms of export subsidies and other potentially distorting export measures.

Under the decision, developed countries will immediately eliminate their remaining agricultural export subsidies. Developing countries will also eliminate their export subsidies by the end of 2018.

It is worth pointing out that in the final negotiations present in the room were the EU, the US, Brazil, China, India and South Africa who were there on behalf of Africa's billion people.

No Japan – population 127 million, No Indonesia – population 250 million people. And no Russia either.

The EU was there because we are collectively the world's largest economic bloc.

That translated into results. We secured a balanced deal on agricultural export subsidies that will help our farmers compete around the world.

John asked me to say a few words about Brexit

I will address this topic as an Irishman rather than an official of the European Commission.

This is a very important subject and the Commission is anxious not to try and influence the decision of the British people in any way.

The economics of Ireland and the UK are inter-dependent notwithstanding our common access to the wider European Single Market.

In economic terms, the UK is one of Ireland's major trading partners. Ireland is the UK's fifth largest trading partner.

During Ireland's financial crisis in 2009, the UK government extended a bi-lateral loan to Ireland of 7 billion pounds.

This decision was vital to Ireland at a critical juncture and highlights the importance of the UK Irish economic relationship.

Our shared membership of the EU has played a vital role in bringing our two countries closer together.

As I said earlier, Trade policy is the exclusive competence of the EU which means that should the UK exit the EU, Ireland could not bi-laterally negotiate and enter a trade agreement with the UK.

Modern trade deals take time to negotiate. Many complex issues are covered and all the parties to the deal must be happy for the negotiations to be concluded.

The Commission has a team of hundreds of experienced negotiators, often times we want to go faster but it takes two to tango. Then there is the ratification procedure according to each party's constitution.

The situation in the EU is not unique. It took 10 years for the Americans to negotiate TPP, and 6 years to negotiate with Korea.

The current Irish economic recovery is export led in part due to the current strength of the UK economy.

The UK is the third largest investor in Ireland, after the US and Germany.

The EU's single market gives the UK access to the world's largest economy, with than 500 million people.

73 per cent of the UK's agri food exports are destined for EU member states. France for example purchased more that 200 million pounds worth of UK lamb in 2014.

The overwhelming and publicly expressed desire in the EU is to keep Britain in membership.

This sentiment has also been voiced by the leaders of the United States and China.

When UK farmers consider this debate the three questions to consider are:

1. Has the CAP been beneficial to UK agriculture?

2. What will replace EU policies and the CAP upon withdrawal?

3. What are the likely economic and other impacts for British agriculture?

The UK currently enjoys the best possible access to the single market as a full EU member and benefits from a large number of preferential trading arrangements that the EU has negotiated.

The UK reform agenda rightly highlights the expansion of EU trade liberalisation as an area of real opportunity.

Today we have a market orientated Common Agricultural Policy which puts us in pole position to leverage that opportunity.

Many people in Europe's capitals and households are critical of the EU, but many also realise that no European country can face today's challenges alone.

In Europe we are stronger together and ultimately there is more that unites us than divides us.

The single market is the largest in the world and as the driving force behind Europe's cooperation unites the member states.

Conclusion

Ladies and gentlemen, I hope I have given you a sense of European agricultural policy and the challenges we face.

The most important change in the CAP in the past 25 years is the reorientation to a philosophy of policy support away from price support.

Targeting prices implicitly increases prices, thus providing incentives for over production, which leads to further price declines and at the end of the day demands volume controls.

We have a market orientation in the CAP, but we also have a social orientation, an environmental orientation and a cultural orientation.

Agriculture is vital to the European economy and to global food security.

The world faces the challenge of having to feed in excess of 9.5 billion people by 2050.

We need farmers to meet these challenges. Today only six per cent of EU farmers are aged below 35, and the figure is falling.

In the United States the ageing agricultural workforce means that two thirds of the nation's farmland will need a new owner in the next 25 years.

In 1950, a farmer fed 10 people, today he or she can provide 145 citizens with food.

Succession offers a huge challenge.

The agri-food sector is today the 4th largest export sector in the EU, providing 47 million jobs for EU citizens.

The rural economy with agriculture as its hub has the potential to contribute significantly to EU economic recovery.

The global image of agriculture is incredibly diverse.

We have the vast corn fields of North America and mega farms in Russia.

There is the rice farmer in Asia and the tomato grower in the greenhouse in the Netherlands.

We have the African or Indian farmer who tries on small acreage to grow rice and cassava for the family.

Professor John M Richardson, the well knows American academic of Dartmouth College fame said that when it comes to the future there are three kinds of people: those that let it happen, those who make it happen and those who wonder what happened

Nuffield scholars fall into the second category and long may that continue to be the case.

I wish you all every success in your endeavours.

ENDS