
Dr. Franz FISCHLER Member of the European Commission responsible for Agriculture, Rural Development and Fisheries Making the CAP work for the Mediterranean International Forum on Agriculture and Food Cernobbio, 25 October 2003

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Ladies and Gentlemen,

The lonely planet travel guide describes Italy as a country in which "history, culture and cuisine seduce just about everyone", but here, on the edge of Lake Como, I think I will have to suggest to them that they add its spectacular landscape to the list as well! So let me begin by taking this opportunity to thank the Coldiretti not only for inviting me to participate in this forum, but also for this chance to visit such a beautiful part of your country again. You have certainly covered some topical issues so far in the conference and, conscious that a) I have been allocated the slot before lunch when people start to become preoccupied with hunger, and b) that you have already discussed the new CAP at some length, I would like to offer a few reflections on reform from the Commission standpoint. More specifically, I want to look at how we are trying to make it work for the Mediterranean products.

But before I come onto the second wave of proposals, let me briefly come back to the package that Member States agreed in June, which allowed the CAP to take massive steps forward. We've opted for a CAP that gives priority to producer, not product support by transferring the majority of support available under the current system to the single farm payment. We've chosen to increase the efficiency of direct payments, which spells an improvement in income, encourages market orientation and vastly simplifies what is currently an overly complex policy. And with support under the single farm payment subject to cross-compliance, we're ensuring that Europe's farmers maintain the high standards that consumers have come to expect, and rightly demand of them.

June's reform has also allowed for a key shift in policy from market measures to rural development, enabling us to make an additional €1.2 billion available a year for the second pillar from 2005 onwards. This will provide a considerable financial boost to rural development, helping us to support new measures and extend current ones, and to develop alternative sources of income and economic activity to cater for a varied and vibrant rural sector for generations to come.

How Member States choose to use these chances is up to them, and the only advice I can offer is the sooner you take up the opportunities, the sooner you, and your farmers, will be able to reap the benefits. Now is the time for Italy to choose the direction that she wants her agriculture to take, and now is the time to implement the chances that CAP reform offers. This is how you will secure a successful and sustainable future for both your farmers and your agricultural sector. Integrating all the stakeholders in this implementation process will be key to profiting from all that the package presents.

A final point I would like to make on June's reform is that it also improved the competitive position of EU farmers, as well as strengthening our position in the international field. It was testament again that whilst we were committed to our farmers, we were also committed to the developing countries and helping the Doha Development Agenda progress. And it meant that we went to Cancun with a strong hand, ready to do business with a domestic deal on a sensitive subject that we could readily, and legitimately, defend.

For the talks to have broken down was a disappointment in itself. But to have had our hands tied

before we even got to the stage of discussing agriculture was all the more frustrating for those of us who had gone there with a realistic proposal, a flexible attitude, and the desire to strike a deal. But, as I have already said, this does not signal the end of the DDA. Our offer remains on the table, as does our commitment to invest wholeheartedly in reforming the world trade system. And, with our internal reforms ongoing, our negotiating hand will only get stronger.

We will continue to rein in the trade-distorting aspects of our policy, we will continue to make it more market oriented and sustainable, and we will continue to support, albeit more efficiently and effectively, the range of public goods that agriculture must provide on top of the production of food. Ladies and Gentlemen,

Continuing the reform process brings me to the second part of my speech, the part that I want to focus on today, and the part that I know is particularly close to the heart of many Italians. As you know, June's decision also included a commitment to make subsequent adjustments to the tobacco, olive oil and cotton regimes, and, in September, we met this pledge by presenting a set of proposals for the so-called 'second wave' products. The same approach was used, and the same objectives applied: to apply at least partial decoupling in all three, to maintain budget neutrality, and ultimately to provide a clear perspective for producers in these sectors. So how does reform improve the situation for the Mediterranean products?

In its proposals for tobacco, olive oil and cotton, the Commission was acutely aware of the specific difficulties that these sectors faced. The fact that holdings are often located in areas that are lagging behind in economic terms has been fully accounted for, as has the fact that their sustainable development, in both economic and social terms, is highly dependent on the continued existence of agriculture and rural enterprise.

Let me start with the tobacco sector. Here we were conscious that we had to find a compromise that allowed us to make important and significant changes to the market organisation, that was sensitive to public health concerns, and continued to provide opportunities for producers in tobacco growing areas. And you all know the conclusions we came to: full decoupling of the existing tobacco premium over a three year period and a phasing out of the tobacco fund in three steps, accompanied by a financial envelope to support restructuring in tobacco producing areas over the transition period. Some agree with the proposals, some don't, but let me explain to you how we came to the conclusions we did, and why I am convinced that it represents the best road forward.

What are the benefits of this approach in Italy?

Firstly, the proposal recognises the importance of supporting incomes and employment in tobacco producing regions. And for the majority some 66% - of Italy's holdings⁽¹⁾ where production does not exceed 3.5 tonnes per year, the likes of those in Campania or Puglia, current support will simply be transferred to the single farm payment and maintained at 100% of the current rate. Beyond this, another 23% of holdings will continue to benefit from more than 80% of the current support under the single farm payment, and they will of course have other opportunities for financial support afforded to them by rural development or the restructuring envelope. This means that family employment, which represents some 80% of total workforce in the tobacco sector, will continue to benefit from public support, but in a way that is more coherent with overall EU policy direction.

Full decoupling has other benefits too. Not only does it mean restructuring and redirecting the support in a more efficient and effective manner, allowing more support to end up in the farmers' pockets, it also makes farmers' lives more simple and less bogged down in bureaucracy.

And, because it is subject to cross compliance, it also guarantees environmental management in sometimes ecologically fragile areas. It does not, as some argue, mean paying farmers to do nothing.

It means providing them with the support to produce what the market requires, or to diversify into other sectors they see as more profitable.

The opportunity to diversify brings me to the next point: the many advantages offered by the restructuring envelope. In Italy, the third phase of the reform process will shift over €100 000 per year from market support into this envelope, which can be ploughed back in to your tobacco producing regions to create new rural opportunities. For example, it can be used to support producers who want to retrain in new skills. It can be used to create new job openings, or more permanent forms of employment than the seasonal or part-time opportunities that raw tobacco production affords. It could also be used, for example, to support early retirement schemes, and support restructuring in this way. Some 54% of tobacco farmers EU-wide, or 42% in Italy⁽²⁾, are over 55 years old and eligible for this measure.

I also maintain that restructuring and reform has benefits for large tobacco holdings as well. Firstly, because farms in regions such as Veneto and Umbria tend to focus on producing the best varieties to a very high standard with the most up to date equipment, they have a naturally competitive advantage. Secondly, because they have had experience in running efficient, large-scale enterprises, and are familiar with dynamic management techniques, they should be well placed to diversify into other agricultural or non-agricultural activities - which are plentiful in regions such as Veneto. Restructuring and rural development funds will assist producers to take full advantage of these. And thirdly, the climate conditions in large tobacco producing areas also lend themselves to other farming activities. If producers in Umbria, for example, shifted to durum wheat,

our studies show that with lower production costs and higher end prices, their incomes could see a consequent rise.

Ladies and Gentlemen,

Reform is also about responding to public demands and making the CAP more consumer oriented, which is why we cannot ignore the health concerns related to tobacco. Anti-smoking campaigns, quite rightly, are everywhere, whether it's the Europeans saying, "Feel free to say no," or the Americans telling us to, "Butt out". In Italy, where about ¼ of adults smoke, you passed a law last year that bans smoking in most public places, and I even found an Italian stamp dating back to 1982 illustrating the dangers of smoking by demanding, "Lotta contro il fumo".

You may also know that the Commission presented a communication on sustainable development at the Göteborg European Council that explicitly proposed to reorient support under the CAP. In it, we committed ourselves to "reward healthy, high quality products and practices, and to adapt the tobacco regime at the end of its review to allow for the phasing-out of tobacco subsidies, while putting in place measures to develop alternative sources of income and economic activity for tobacco growers." So, with public and political sentiment clear, I believe the reform offers the tobacco sector a more than satisfactory compromise. It still enables producers to achieve a fair and stable standard of living by supporting them as guarantors of EU agriculture, rather than as producers of tobacco.

It will support rural sustainability by expanding the scope and range of instruments available under rural development, and it boosts overall rural cohesion in tobacco producing areas. Decoupling and restructuring is the only way to maintain our support to tobacco producers our support for farmers remains. It is our support for the product that does not.

Olives and olive oil on the other hand, are products that have been renowned for centuries in the Mediterranean for their health promoting and nutritional properties. What is more, as the secrets of your diet, and the reputation of your exceptionally high quality products, spread further afield - in part due to the EU information campaigns - olives and olive oil are increasingly in demand both internally, and in third countries. This can only be good news for your producers and processors. But it is not only the health benefits of olives that we are interested in promoting. Olive groves also have environmental significance, they play an important role in promoting bio-diversity, and they have been responsible for the sustained development of many of Southern Europe's most fragile regions. And, with many of the main olive producing areas located in Objective 1 regions, it also means that they are valuable from a cultural and social point of view as well: they provide an important, and sometimes the only, source of employment and economic activity in these areas. You have only to look at the number of producers involved in this industry about a third of all EU farmers, or over 1 million in Italy alone to realise the vital role that olive production has played in developing and shaping some of the EU's most fragile regions.

Let me take Calabria as an example. This is an Objective 1 region in the South of Italy that is one of the largest olive producing areas in the country. 75% of the region is agricultural land, but 90% of this is hill and mountain where farming is not only necessary to preserve the landscape, but also important in sustaining economic development where other income possibilities are limited. If olive production were to cease here, it would take away all the other services it provides too.

So, to take account of the specific circumstances of this sector, we have taken a slightly different approach to decoupling. The reform proposes that Member States retain 40% of the current production linked payments as national envelopes, and grant it as an additional payment to producers on a per hectare basis to ensure the permanence of olive trees in ecologically, or socially, sensitive regions. By contributing to the cost of maintaining the groves, producers still have the flexibility to decide whether or not to grow olives, but it means that we make sure that sustainable development and environmental conservation remain at the heart of olive production. And, with olive producers well practised and well known for their quality goods, they will be well placed to capitalise on the new direction that EU agricultural policy is taking.

Beyond this, reform also brings the olive oil sector all the other, more universal benefits as well: there will be more market orientation, it will reinforce our competitive position as the world's leading producer of quality olive oil, and it guarantees olive producers a stable income. But most importantly, it caters for the sustainable future of this important sector in environmental, social, and economic terms.

Cotton too, would see similar benefits from the reform proposals, which are looking to incorporate part of the current support for this product into the single farm payment scheme, and to transform the rest into a new production aid, to be distributed on a per hectare basis.

Sustainability, a clear perspective for the future of the sector, and more market orientation were both goals here. And, conscious that this is a product of huge significance to many of the developing countries, it is this overall orientation towards non-trade distorting and less trade-distorting support that will minimise the already marginal impact of EU cotton on world markets.

Another sector that is sensitive in the international field is of course sugar, and here, although we have not presented the proposals yet, we have floated a set of options for reform that we will be discussing in detail with stakeholders and other various parties in the coming months. We have foreseen several scenarios:

Maintaining the status quo, which would mean opening the EU market to import quantities

agreed under the various international agreements, reducing customs duties, and adapting production quotas in light of market evolution;
Reducing internal EU prices, meaning the phasing out of quotas once production and imports had stabilised; or
Completely liberalising the current regime by abolishing the domestic EU support system, and removing quotas, tariffs and quantitative restrictions on imports. For these last two options, we would of course also have to find ways to ensure income support for beet growers to cushion the reduction in EU prices.

I look forward to discussing our ideas, and I am confident that here too, we will be able to work together to determine a clear perspective and sustainable future for the sugar sector as well.

Ladies and Gentlemen,

Before I conclude, I would like to make one more point about the importance of working together, and that is to underline the valuable input that stakeholders provide to the reform process. And, in view of this, I have decided to hold a series of seminars on the reform of the tobacco, olive oil, and cotton sectors, in Brussels, on the 10 and 11 of November. Letters to all the Member States are in the post in which I have asked them to invite representatives from all of the regions most concerned by these proposals. I hope that as many people as possible will be able to attend these discussions.

Of course, a successful reform also requires the support of the Council and, in this respect, I would like to thank the Italy and the Italian Presidency for the efforts they are currently investing into CAP reform. I am confident that with your continued co-operation, we will remain on the positive path we are on. This means reaching a compromise in the not too distant future, that seals as sustainable and efficient a CAP for the Mediterranean products, as we managed to achieve for the other sectors in June.

For all three of the sectors that I have spoken about today, reform enables us to preserve agricultural activity in areas that are often faced with specific difficulties, and support it more efficiently. It allows us to give producers in these regions more opportunity and flexibility, and it allows us to support the three pillars of sustainability more effectively: our environmental, social and economic objectives. While the details of the proposals may differ between sectors, the approach is similar, and the objectives the same: market orientation, stable incomes and a clear perspective for Mediterranean producers, and a real future for agriculture in a region where farming really matters.

Thank you for your attention.

(1)Source: Eurostat

(2)Source: Eurostat