

REFOCUSING SECURITY ON FOOD AND NATURE
OPENING ADDRESS BY FRANZ FISCHLER
Forum For the Future of Agriculture,
Brussels 15 March 2011

Premise

Let me first welcome you all in the name of the ELO, SYNGENTA and the RISE Foundation to the fourth Forum for the Future of Agriculture. The Forum's formula of attaching equal weight to agriculture and rural development as well as to agriculture and the environment must be right if participation has grown nearly five-fold since its start in 2008.

Please join me in welcoming all our speakers and contributors, the members of the European Commission and of the European parliament as well as the representatives of the member states and the stakeholders.

The key subject of our gathering today is the refocusing of security on food and nature with special regard for the pending CAP reform. Even the world's big military establishments are redefining their countries' true security risks. They are slowly downgrading military threats, and reassessing the effectiveness of military intervention abroad, while upgrading the perils associated with population growth and migration pressures, food, water and energy shortages, as well as climate change. These new global threats cause political instability and may lead to social collapse, let alone State failures. It is of course better and cheaper to prevent popular unrest with appropriate policies than to deal with it after it started.

It was therefore logical to invite Lester Brown to be with us today. In his book *"World on the Edge, How to Prevent Environmental and Economic Collapse"* he says, (I quote) "Closely related to the need to restructure the economy, is the need to redefine security." (Unquote). In the past, countries have too often been measured in terms of their capacity to destroy. In this century they should be measured more in terms of what they can build together in order to make our lives more predictable. In a time of pervasive insecurity, and of extraordinary shifts in global power structures, we need a radical rethink. Lester Brown has proposed a Plan B combining a poverty eradication effort with a resource restoration effort. "For less than \$200 billion of additional funding per year worldwide – he says - we can get rid of hunger, illiteracy, disease, and poverty, and we can restore the earth's soils, forests and fisheries".¹ This amounts to less than 12 per cent of global military expenditure. Not additional money is required, but shifting tax revenues and resources from weapons of destruction to tools of development in a search for greater resource efficiency.

This Forum meets again in the midst of a new food crisis. The FAO Index of global food prices has risen to a record High. Commodity fever is rooted in long-term demand trends: cereals and plant fats in developing countries, animal protein in emerging countries and the use of agricultural commodities for non-food purposes. These trends are aggravated by climatic problems,² and increasing speculations in derivatives. Sky-high grain, sugar, feed, fertilizer and fuel prices conspire to highlight the predicament the world is facing. And again the high crop prices push additional millions of people into poverty.

The Global Context

The world's status quo is not an option. There still is too much food insecurity for too many. There still are too many hungry farmers, and landless laborers without access to the marketplace and without sufficient land and income to support their families. There still are food and agricultural policies discouraging farm production for the domestic

¹ LESTER BROWN, *WORLD ON EDGE*, P. 200

² Notably, in Argentina, Australia, Bangladesh, Brazil, China, Indonesia, Pakistan and Russia, and in the US west of the Mississippi.

market, and international trade policies benefitting mostly the traders and the large farmers. There still is too little support for infrastructural improvements in countries where food demand outstrips supply. There is a new, unhealthy scramble for land abroad with the risk of discrimination in food supplies, overexploitation of natural resources, and eviction of small, landless farmers by large investors grabbing land for intensive agricultural plantations. And there is a new anxiety about food insecurity as population growth outstrips the annual increase in food productivity, and as farm incomes suffer from a new instability due to increased volatility of commodity markets and input prices.

Over the last two decades, the picture has worsened. World R&D regarding food and agriculture has plummeted, research on crops of interest to developing countries has been neglected, the share of overseas development assistance devoted to agriculture has dwindled, and trade in agriculture is managed in one form or another.

While trade liberalization can help limit the impact of food crises, it has mostly benefitted the most competitive producers with state of the art technology, and easy access to credit. So far, developing countries have failed to obtain the promised special and differential treatment within the WTO, as well as the right to special tariff-raising safeguards to protect poor farmers from low-priced food import surges.

In its just published Foresight Report on *"The Future of Food and Farming: challenges and choices for global sustainability"*, the UK Government Office has rung the alarm bell. The UK Chief Scientist John Beddington has summarized our challenge by saying that the world population cannot be fed over time without a 'sustainable intensification' in agriculture. This is another way of saying that our present food system is unsustainable. There actually is too little prospect of bringing new land into farming, because of infrastructural, environmental and governance reasons.

Through the multilateral institutions such as the FAO as well as bilaterally, the world community can and must do better to reverse negative trends advocating enhancement, efficiency, sustainability and fairness in domestic and international agricultural policies and trade.

Developed countries must ensure that their agricultural policies are not trade distortive. Developing countries need to do more to encourage sustainable agricultural production at home, and increase agricultural productivity and market efficiency. Donors should do more to help, notably with the necessary improvements in infrastructure. Building up export capacity should not be to the detriment of food production for the domestic market. As market access improves, there is a need to avoid that a privileged few reap all the benefits without spreading them in the domestic economy.

Worldwide, domestic policies must provide the necessary incentives for farmers to sustainably produce food and fiber as well as public goods such as eco-system services and to play a more positive role in fighting climate change. Without the right incentives, both food production and the environment will suffer. Current subsidy policies in many high-income countries and developing countries alike need adjusting. Some of them, such as agro-fuel support in rich countries and food consumption subsidies in poorer countries must be phased out.

As commodity prices rise, food-importing countries tend to increase their food reserves at any price as a precaution against future food riots; and several countries risk joining the growing list of failed states as their social order breaks down. In 2007 and 2008, food riots were commonplace. Food price inflation is having the same effect today, as the recent governance crisis in North Africa and the Near East proves all too clearly. This is an urgent reminder that food production is the foremost public good. For most countries in the world, the risk of food dependence is at least as serious as that of energy dependence. As Lester Brown put it, "The trends generating food demand and restricting supply are converging to create a perfect storm in the world food economy, one that is generating a new politics of food scarcity."

These trends and related public policies affect the normal functioning of the market and feed speculation. Concentration in the trillion dollar global food market,³ does not make things easier. President Sarkozy has made global food security and volatility in commodity prices a priority of France's G20 presidency. This will be at the centre of the first meeting of agricultural ministers of the G20 in June. The French are likely to propose the pooling of food commodity data on production, consumption and stocks to increase market transparency. The US has already introduced position limits on traders in commodity markets and the Commission has proposed to do the same in Europe. In the US, commodity traders have to register and declare whether their activity is purely financial/speculative or commercial. The EU is studying a similar system.

I do argue that agriculture has no future without greater resource efficiency, that the destruction of biodiversity destroys our capacity, not only to provide eco-system services, but also to provide food. The whole world must act and cooperate more effectively in halting climate change, preserving biodiversity, and promoting sustainable food production and access to food. Food and environmental policies must become two pillars of a single approach to feed the people and save the planet.

The complexity of the task before us is daunting. It requires better and more sustainable agricultural policies with courageous reforms of food systems, urgent changes in trade policies and in consumption habits, and cutbacks in the combined demands on resources and improved environmental impacts. Take for instance the meat sector, which most seriously impacts the environment, in particular water resources and greenhouse gases while demand for meat skyrockets. Further difficulties, but also opportunities relate to a power shift towards the emerging countries, which is brought about by their economic dynamism.⁴ Their growth has been accompanied by pressure on natural resources and demands for a share of the world's cake as they catch up with the leading economies.

This is the global context within which we must conduct today's discussions for the reform of the CAP, as they move into upper gear. The reform process of the CAP must be seen in the international context of food and environment insecurity. The same holds for EU trade, energy, environment and development cooperation policies that impact on agriculture. Uncoordinated and in some case contradictory policies not only waste efforts and resources but also undermine the credibility and legitimacy of the EU to its citizens and to onlookers, especially in the developing world. In the future, we must ensure we are all pulling in the same direction.

CAP Reform

The European agricultural model is under pressure due to more competitive markets, more unstable climate conditions, greater input and output price volatility and last but not least, growing demands for public goods. The CAP reform process must continue to adapt Europe's agriculture to these changing realities. A New Deal is required. The debate has started. This Forum is part of it. It pits the advocates of the status quo against those promoting reform. In this context, the European Parliament has become the critical player capable of ensuring the necessary consistency between objectives and means, highlighting the importance of a CAP budget that allows to reach the new policy objectives regarding world food security and nature conservation. That the European Parliament is so well represented among today's speakers is a proof its new role.

Updating the CAP is a challenge of the first order. The new populism, which is fueling the renationalization of politics across Europe, is hindering EU old as well as potentially new common policies. Populism threatens Europe's future and

³ With 60% of Maize and 30% of soya trade coming from the US and 60% of world sugar exports coming from Brazil.

⁴ According to the IMF, the share of advanced countries in global GDP at PPP, which was 63 per cent in 2000, will fall below 50 per cent in 2013. China and India account for 80 per cent (India 17%) of the rising share of emerging countries in world output.

its position in the world as it seeks to design a new global order to better manage interdependence. This is notably true as regards the food economy and the management of scarce natural resources.

Many think that food security is a world challenge, not also a European problem. Are we so sure? Paul Krugman, an FFA keynote speaker, has warned Europe about its vulnerability to hikes in food prices, because of its heavy dependency on food imports, which he considers unnecessary given its wealth in agricultural resources. This dependency is increasing. According to some estimates, the participation of European investors in “land grabs” in the developing countries is already equivalent to the size of Germany. In any event, Europe has a problem with the sustainability of its food production over time and with the future of its ecosystems.

Food security is basically a matter of means versus ends. Let me take the ends first. With one billion people hungry, one billion undernourished, another billion obese, and some three billion people trying to move up the food chain, the challenge of feeding tomorrow’s world with over nine billion people is a challenge of the first order. Europe’s role as a vital supplier of food to the world is of the essence. And so is its need to pursue a sustainable intensification of agricultural production if sufficient space is to be left for the preservation of the landscape and the defense of the ecosystems. Sustainable intensification of food and feed production cannot be achieved without a massive increase in R+D in all its forms, state-of-the-art technology, and policies incentivizing farm production and environmental production for the market. According to a UN report published last week, a shift towards agro-ecology, accompanied by participative extension services, has proven in many developing countries the capacity of small-scale farmers to double food production within ten years and improve the situations of the poorest.

A frank reappraisal by and with all stakeholders of the role of technology regarding both food and nature is of critical importance.

Sustainable intensification of agricultural production must be accompanied by increased care for the ecosystem. Land management produces marketed outputs as well as public goods such as environmental services, which are not marketed and hence often neglected. The Stern Review states that Climate Change “is the greatest market failure ever seen.” So is the insufficient production of public goods by farmers. Without markets and without incentives, farmers will continue not to produce enough of those goods. This is the reason why they have become the “tarte à la crème” of the discussions about the next CAP reform.

The overriding concept in economic restructuring is, or rather should be, to get the market to tell the truth about costs. This means incorporating all externalities into the markets since they do not do this alone. Costs to farmers connected with the preservation of the ecosystems should be included in the price they get for the food they sell. Farmers should not be the only ones who pay for more sustainable food and nature. Phasing in full-cost pricing in food would be of great help to our landscapes. Taxing over-pumping of water and deforestation would have similar effects.

So far, I have witnessed more acknowledgements in farm circles about the importance of public goods produced by farmers, than recognition in environmental circles of the importance of agriculture for the production of public goods. If we want to make progress, environmentalists and consumers must become better aware that without farmers, it becomes more difficult to increase the production of eco-services and other public goods, and that their contribution cannot be secured unless their activities are economically and socially sustainable, and unless they are incentivized and remunerated for the public goods they produce as long as they have no market to pay for them. When we hear demands for more ecosystem production by farmers but less financial support for them, we must doubt that governments know what they are talking about. And when we read about the vast amounts of public and taxpayer money that are paid out to bail out the banks, which indulge in speculative endeavours, and the sky-high bonuses that bankers continue to bestow on themselves, farmers and environmentalists can’t understand why on earth society does not recognize the need to incentivize land managers to make food and nature production more sustainable.

As regards the financial means that are required for a greener CAP, the Multiannual Financial Perspectives 2007-2013 already involved substantial cuts in the CAP budget, as it increased less than the expected rate of inflation. The risk is that the Multiannual Financial Framework 2014-2020 will involve further cuts. If EU governments are not careful, they will eventually jeopardize the first and most important common policy of the EU and reduce the funding for a more sustainable agriculture and a better environment. This is neither in the EU's, nor in the world's interest, and would be a sign of misapplication of budget methodology, which calls for setting policy priorities before allocating budgetary resources. I trust that the European Parliament will devote the greatest attention to ensure that EU policies are properly funded.

I hope this conference will help clarify the main aspects of the pending CAP reform and the ever-closer link between agricultural, rural and environmental policy. I will take the liberty at the end of this forum, not to summarize today's debates, but to say a word on key aspects of the reform.