



**Regional conference 'Russia's Agriculture and its place in the world: challenges and opportunities'**

**Moscow, 6<sup>th</sup> of September, 2010**

**Welcome address by Franz Fischler, RISE Chairman**

Dear Friends,

May I welcome you and thank you all for responding so numerously to the invitation of ELO, Syngenta, Ambika, in partnership with Russian Grain Union, and my own for the Rural Investment Support for Europe (RISE) Foundation, to attend this conference in Moscow.

In early 2007, at the launch of the RISE Foundation in Madrid, I warned about the looming food and environmental challenges and their interrelations. If these challenges are not met in time, they will cause both food and environmental insecurity. While our presentations raised interest in food and environmental security, they did not quite achieve the degree of awareness that is imperative. The ELO and Syngenta heeded my call and decided to sponsor an annual Forum on the Future of Agriculture, which I agreed to chair. Attendance at these annual events, taking place in Brussels, has shot up from some 250 the first year and over 1000 in March of this year. This hopefully shows that we must have been doing something right.

Therefore we pursued our idea, and decided to organize regional conferences, not only in EU countries; to share and better understand today's reality by a face to face exchange of ideas and knowledge. The purpose of these Forums is to stimulate an open discussion on the future of European and world agriculture, and assess what should and what can be achieved over time, attaching equal weight to two challenges: food security and environmental security.



This year's Forum in March was devoted to the Economics and Politics of Food Versus Climate Change. According to a recent study from the World Bank the main drivers of this crisis were the oil-price-development and the new forms of speculation with commodity derivatives. But it is also clear that we saw in late summer 2008 the lowest grain stocks in the last 30 years, caused by an increase in food demand and the growing influence of changing weather conditions. In 2007 and 2008 we were facing one of biggest food crisis since World War II.

Britain's chief scientific adviser has therefore defined food security as an enormous problem on a par with climate change and last week UN Secretary General Ban Ki Moon called up the international Donor Community again to increase their efforts so that the Millennium Goals can be achieved. How serious the problem is was again demonstrated last week when 2 children died in a food riot in Mozambique.

Focus on the role of financial markets and the role of **climate change** in food production is particularly timely. As we all know, today in Russia you have experienced better than anyone the gravity of weather instability and natural disasters.

Please, accept my insurance of sympathy for you in those demanding days.

Recent scientific disputes about climate change trends that are admittedly hard to measure don't mean that the challenges to our environment are any less great.

Mainstream scientists are actually more and more worried and find that the evidence of global warming is worse than the IPCC assessment of 2007. This is even truer today.

Food security is at risk of becoming the next serious market failure after climate change, which Nicholas Stern has described as "the biggest market failure in history".

Despite the price relapse following some good harvests, there is no reason to lower our guard on the food predicament. If fights for food in many countries have temporarily subsided, the risk of food shortages remains, as proved by the persistence of an



international scramble for food, and for land to produce it. Mainstream economists say: “Don’t worry, markets always balance!” They are of course right, and yet, I beg to differ, because the issue is not whether food and demand will balance – they have to, over time, but at what price that will happen, who will be able to afford it, how many will go hungry or undernourished, and how much food production will be sustainable. It is high time to assess food balances in the context of world hunger, malnutrition, and poverty. Let’s never forget that world population continues to grow, life style changes spread with increasing animal protein demands, loss of cultivable land tends to match new good land entering cultivation, soil erosion continues while water scarcity worsens, and innovation and development assistance for agriculture are seriously lagging behind.

This is why today’s conference will focus on topics such as:

- What is Russia’s agriculture potential”?
- What does it mean to farm in Russia?
- How to enable to Russian agriculture to reach its potential?
- What investments are needed in this sector?

According to Financial Times, the price of grains and grain-products set to rise sharply after Russia imposed a ban on grain exports, triggering panic in commodities markets. This move, which caught traders and food producers by surprise, pushed the price of wheat to its highest in two years. Prices of other crops including barley, corn and rapeseed, also jumped sharply.

The last week declaration (2<sup>ND</sup> of September) of Prime Minister Putin, that Russia will extend the export ban till September 2011 enhances the gravity of this situation.

I have to agree with Arkady Zlochevsky, president of the Russian Grain Union, one of our today’s speakers, that this ban risks undermining Russia’s reputation as a reliable supplier. With 10% of the world's arable land, Russia has an enormous potential for expanding agricultural production. You are producing 8% of global supply of wheat. In 2009 you have



exported 21, 4 million ton of cereals and produced 100m tonnes. In comparison, according to Strategy Grains, European Union will produce this year 277,5mln tons; which is 5, 3% less then expected. .

Even if due to the worst drought and the damages caused by the fires you will produce between 60-65 million tonnes this year, this is a considerable number. But, without sustainable food security, and energy, water and environmental security, the relevant looming shortages will cause much human suffering and civil strife. Similarly, you need more decisive action regarding rural development and risk management. Certainly, farming in Russia is a challenge- not only because you are the biggest country in the world.

Much has been made of the concept of multifunctional agriculture, but the discussion so far has ignored how far it actually is multifunctional. We cannot simply leave it to the market and to technology to find a balance between various, partly contradictory demands across sectors without unpalatable consequences in terms of sectoral outcomes and income distribution within and among countries. The market needs coordinated guidance as to what kind of policies regarding energy, water, transportation, environment and indeed agricultural and rural development are the most appropriate ones, to tackle the world's overall socio-economic and political security requirements, including those of the developing countries. What happens there will have an overall even greater impact than what happens in the advanced industrial countries.

As to technology, it has an essential role to play regarding both food and environment. Lowtill or no-till farming techniques help retain water, raise soil carbon content, reduce energy needed for cultivation, as well as wind and water erosion, but cannot alone address the food imbalance. New technologies capable of raising land productivity are shrinking and will be of diminishing help as yields of wheat, rice, and corn press against the ceiling ultimately imposed by the limits of photosynthetic efficiency. A much greater contribution can be expected from biotechnology, provided public opinion is prepared to



support it. Current negative attitudes in Europe will need to change as the next GMO generation comes on stream. But this new technology should of course not be introduced without proper risk- and exhaustive impact assessment.

We should be cautious about putting too much capital in the belief that technology alone will allow us to ensure sustainable food production for all and reduce world hunger, or stop, let alone reverse climate change. This is particularly true if policy signals are half-backed, not to say counterproductive, raising understandable doubts on implementation. Caution is also of the essence in dropping any technology without judgment as to whether the pros outweigh the cons, and whether there is scope for parallel action regarding the demand and trends in lifestyles.

However, the status quo is not an option. All countries in the world are called upon to restructure their agricultural policies, so as to produce enough food, improve their environment and open their markets. This notably holds for most food-importing developing countries whose policies favour urbanized people as against farmers.

**Land managers, all over the world,** is directly affected by, and impact on, all these challenges, which are changing their industry quite radically. They must face demands from society that are actually mind-boggling. In times of looming climate change, the production of eco-systems by land managers has become as important as that of food. They are asked not only to provide more and healthy food at stable and affordable prices, but also to supply fiber, and renewable energy, apply more sustainable land-use methods with diminished production intensity, reduce air, soil and water pollution, and improve the landscape. They are expected to do all that while preserving their economic and social sustainability and their cultural heritage, and despite the uncertainties that are connected with more open markets and growing public demands to revoke the CAP or slash its budget. If land manager performance is found ecologically wanting, few people sense that this is in good part due to an inappropriate legal and regulatory framework.



There is too much reliance on **regulations**, whose application involves costs, and too little on **incentives** to do what society wants. As any other entrepreneur, farmers are in business as long as they can make a buck. If they can't do so anymore they have to drop out. Farm mortality in Europe, for whatever reason, hovers around 3% a year.

In the EU we are reforming the Common Agriculture Policy to make the CAP more stable, predictable and flexible; promote innovation, education and knowledge transfer for farmers; improve their access to markets, strengthening their market power in the food chain; facilitate the availability of new agricultural technologies; reward land managers for the provision of environmental and social 'public goods', that the market does not pay for; and finally, endeavor to maintain reasonable farm income levels in order to foster ecosystem management and slow down the rural exodus. Why do I believe such a call is particularly necessary today?

The European Commission and European Parliament are deeply involved in reaching the good balance between EU budget revenues and requirement of the CAP. MEP Paolo de Castro, Chairman of COMAGRI, will be able to give you a more detailed overview of this situation.

If, as Russians, you are thinking of establishing a Russian CAP, I hope that you learn from our victories and avoid our mistakes.

I wish to us all a fruitful conference.