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| <ul style="list-style-type: none"><li>○ <b>Accademia dei Georgofili</b></li><li>○ <b>Date: 11 April 2008</b></li><li>○ <b>Place: Florence</b></li></ul> |
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**Standing the test of time: the past, present and future of the CAP**

[Ladies and gentlemen],

First of all, my warmest thanks to the Accademia dei Georgofili for doing me the great honour of inviting me to open the Accademia's 255<sup>th</sup> academic year.

I think it's fair to say that I've been working in agriculture for quite a long time. But standing in this magnificent setting, with so many scientists, professors, academics, I feel rather like the new pupil in the class!

So, many congratulations on those hundreds of years of valuable work, and I'm sure that the Accademia's tradition of excellence is still in good hands.

Today I would like to talk about birthdays! This year brings up your 255<sup>th</sup> anniversary. And it also brings up three anniversaries which are significant for the Common Agricultural Policy.

- It was 50 years ago that the Treaty of Rome entered into force.
- It was 40 years ago that Sicco Mansholt put forward his plan for modernising the CAP (which was still fairly young at the time!).

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- And it was 20 years ago that the European Union decided to start limiting spending from FEOGA as one measure in a range of CAP reforms.

I would like to examine briefly all of these "birthdays" as signposts in the history of the CAP. And as we are in an academy, for each of these birthdays I have a short lesson!

After this, I would like to consider a future birthday. In 2013, we will come to the end of the current set of European Union Financial Perspectives – and it will be 10 years since the 2003 CAP reform agreement. I will look ahead to what I want us to be celebrating on this future anniversary.

### *The Treaty of Rome*

So, let me start with the Treaty of Rome. It gives us our first lesson, which is: **When judging the CAP, we must understand its historical context.**

As you know, in a sense the Treaty of Rome marked the start of the CAP. It set out the key principles - though of course the policy tools came later.

When we look back to the CAP's beginnings, we do so with the benefit of hindsight.

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We know that in the European Union we have had 50 years of peace, 50 years of relative social stability and 50 years of plentiful food.

By contrast, the creators of the CAP did **not** know that the next 50 years would turn out so well in these respects – and this uncertainty influenced their thinking very deeply.

First, it made them emphasise the importance of a **single market** – one that included agriculture – as essential political cement for western Europe. They were prepared to make political compromises to achieve this.

Secondly, it made them emphasise the need to **assist farmers**. After the Second World War, farmers made up 22 per cent of the active population in the Community of 6 Member States. Instability in the farming community would have meant instability in wider society.

Thirdly, it made them emphasise how essential it was to **put enough food on European dinner tables**. No one who had seen widespread hunger during the War could take the risk of allowing food shortages to appear again.

When we understand this historical context, we see there were strong arguments behind the Treaty of Rome's emphasis on productivity, farmers' incomes, the food supply and food prices.

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Anyone who misunderstands this context will misunderstand the CAP. This is an important lesson to remember!

### *The Mansholt Plan*

Let me move forward 10 years to the next event for which we have an anniversary this year: the Mansholt Plan of 1968.

It gives us our second lesson, which is this: **Good policy ideas are often constrained by difficult political and social contexts.**

Sicco Mansholt suggested some bold responses to problems which he already saw developing in the farm sector, but not everyone was ready for them. In the end, many of his ideas were not carried through at the time, because public opposition was too strong.

In my job, I have to explain such constraints again and again to frustrated ministers and interest groups. We don't make policy in an ideal world; so when we try to change things, we have to use our powers of persuasion. And sometimes, we simply cannot do everything that we would like to do.

But of course, many of Mansholt's ideas came to be realised in later years.

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For example, if I mention schemes for restructuring, for afforestation and for early retirement of farmers, these are all familiar to us now. Mansholt carried out important groundwork for later changes to the CAP.

### ***The reform of 1988***

Let's now move on a further 20 years to 1988.

And let's also move on to my third lesson, which is this: **The CAP has evolved over time.**

The 1980s were in some ways a challenging time for the CAP.

This was the era of the famous "butter mountains". In 1986, more than 1 million tonnes of butter and nearly 800 000 tonnes of skimmed-milk powder were sitting in intervention stores. Over-production of other commodities had also become frequent.

In this environment, spending under the Guarantee Section of FEOGA doubled between 1980 and 1984.

This reflected the CAP's considerable success in boosting productivity. For example, over 25 years, the average wheat yield had climbed from 2 tonnes per hectare to 7.

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But of course, it's possible to have "too much of a good thing", and policy-makers had to respond.

The 1988 reform was part of that response. As you know, in 1988 the European Council agreed to limit spending on agriculture from FEOGA, introduce voluntary set-aside and pay support for extensification and early retirement, among other things.

The 1988 reform was highly significant in itself. For example, at that time, limits on FEOGA spending were a novelty and they paved the way for the "Financial Discipline" which operates in the CAP today.

But for the purposes of my comments today, I also want to take the 1988 package as a symbol of all the reforms which have been working their way through the CAP over time, whether the public noticed them or not.

Before 1988, there was the introduction of the milk quota system in 1984 (though this is now coming towards the end of its shelf life and is expiring in 2015).

In 1992, we had the MacSharry Reform – another reform package of enormous importance.

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Then there were policy responses to the Uruguay Round talks, there was Agenda 2000, and of course there were the reforms centred on decoupling, which began in 2003.

Overall, the CAP has been working hard to get up to date with what is asked of it. And as it stands today, it has come a long, long way from its beginnings.

Who would have foreseen **decoupling** and **cross-compliance** a few years ago? I was a minister in the run-up to the reform deal of 2003, and I remember very well the strength of some of the opposition to the ideas! And back in 1958, the concepts would probably have seemed very alien to the policy-makers of the day.

Likewise, who would have foreseen a few years ago that **public intervention** would be slimmed down to the extent that it has been?

The butter mountains have gone. And although this is partly because of strong agricultural prices, nevertheless, it's also clear that we have been moving public intervention in the direction of being a genuine safety net, not a regular market outlet.

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And then who would have foreseen, a few years ago, the emphasis which we are now placing on wider **rural development**? Long gone are the days when rural development was a "bolt-on extra" to farm policy. It now takes around 15 per cent of the CAP budget; and raising its funding is an ongoing policy objective.

While I'm on the subject of the budget: Who would have foreseen the extent to which we would **gain control of CAP spending**? The CAP took some 60 per cent of the total European Union budget in 1989. Now, it takes around 40 per cent. We expect its share to fall to around 35 per cent in 2013: less than 1 per cent of total European public expenditure.

Finally – especially for the lawyers among you: Who would have foreseen, a few years ago, our success in **simplifying the CAP**?

So much of the support channelled through the CAP has passed out of a long menu of individual schemes and into the Single Payment Scheme. In addition, whereas we used to have 21 Common Market Organisations, now we have just one.

This doesn't mean that students can learn everything they need to know about the CAP in a couple of hours, but it should help!



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*2013: 10<sup>th</sup> anniversary of the 2003 reform*

However, it's clear that all this change is not enough. **The world has been moving on, and the CAP must continue to move with it.** This is my final lesson for today.

Just five years ago, the European Union had only 15 Member States. Now it has 27, and many of the newcomers are large agricultural producers.

Furthermore, global markets are developing all the time. Will agricultural prices sustain their recent strength? Our farm sector must be prepared for that possibility.

And of course agricultural and rural policy must help us to face various relatively new challenges which are emerging more and more clearly. For instance, I don't know whether all the April snow that I've seen in Brussels is a result of global warming, but in any case global warming is a worrying reality!

Therefore, more development is needed in the CAP before the final anniversary year that I want to consider today: the year 2013, when the reform deal of 2003 will be 10 years old.

When this 10<sup>th</sup> anniversary comes, I want us to be able to celebrate the following things:

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First, European farming must be even more **competitive** – able to hold its head high in a globalised world.

Secondly, it must be even more **sustainable**, meeting the expectations of the public.

Thirdly, our **rural areas** in general must be developing their environmental, social and economic potential even better.

And fourthly, farmers and other rural businesses must be well placed to respond to **new challenges**.

As you know, the next step in achieving this is the **CAP Health Check**, for which the Commission will put forward legal proposals on 20 May.

This is not the moment to go into detail about the proposals. But let me make a few general points.

The Health Check must make the **Single Payment Scheme** work even better than it does now.

The benefits of the scheme have become clear for the majority of farmers. They have taken back production decisions from Brussels, and for the most part decoupling has not led to major changes in the overall structure of European production.

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We must now be determined about improving the system, but not be dogmatic.

For example, we must move closer towards full decoupling, but there are sectors for which this could bring more costs than benefits. In these cases, it may be justified to keep support payments partially coupled for the time being.

We must also keep the Single Payment Scheme legitimate in the eyes of the public. This means giving Member States the option of reducing differences between payments to individual farmers. Large differences between payments to neighbouring farmers, if based only on historical patterns, will be hard for the public to understand in 2013.

Also important for both the effectiveness and the legitimacy of the Single Payment Scheme is **cross-compliance**.

We have already improved the workings of cross-compliance in some respects. Within the Health Check, we must make sure that its scope is right. It must cover the really important requirements: nothing more, but also nothing less.

With regard to the **market instruments** in the CAP: these must provide the right level of support in times of real trouble. They must act as a safety net – not a comfortable chair.

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Very importantly, they must not hold farmers back from responding energetically to booming global demand. This is why, for example, we must plan our route to the end of the milk quota system in 2015.

In 2006, the European Union was a net exporter of agricultural goods for the first time. Let's allow our agri-food sector to build on this success – especially at a time when many commodity prices are breaking records!

Finally, through the Health Check we must give our farmers and rural areas what they need to meet **new challenges**.

For example, European agriculture has already made a contribution to fighting **climate change**: its greenhouse gas emissions dropped by 20 per cent between 1990 and 2005. But it can't escape further involvement.

We will all have to pull hard on the rope together to meet the objective of cutting the European Union's total greenhouse gas emissions by 20 per cent by 2020. And then there's the task of adapting to the climate change which is already on its way. These things will not simply happen by themselves.

Likewise, farms and other rural businesses need help to make the most of the opportunities presented by bioenergy (and I do mean **bioenergy** in its rich variety of forms), not only biofuels.

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Bioenergy offers so many possibilities – in terms of both commercial generation and use on the farm. But policy support is needed to help develop these. Being in Tuscany, I will mention that in the Health Check attention will also be given to biodiversity.

The thorny problem we face is that, whereas rural development policy will be the main tool for meeting these new challenges, its funding is overstretched.

The money that we have now will barely cover existing needs, let alone new ones. So being serious about new challenges means being serious about funding.

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I'm coming to the end of today's "lessons". To sum them up, let me remind you of a well-known story about Albert Einstein.

A pupil in one of his classes was once concerned that the great professor seemed to be testing the class with questions which he had already asked a few weeks earlier.

When he mentioned this, Einstein replied: "Yes, the questions are the same. But the answers have changed."

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We must constantly ask ourselves what sort of CAP we need, and test our answer carefully against the outside world. The question remains. The answer develops.

I want us to be able to celebrate this ongoing development in 2013.

Thank you.

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