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**EC Keynote Speech – Agriculture and Rural Development
"Preparing the CAP to tomorrow's challenges"**

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Chairperson, Hon. Ministers, your Excellencies, Ladies and Gentlemen,

It is an honour for me to address this meeting and to share with you the EU perspective on sustainable agriculture and rural development.

In the European Union, we are fully committed to further improve the implementation of the objectives of Agenda 21 and the Johannesburg Plan of Implementation in the fields of agriculture and rural development. I would like to share with you our experience on the recent initiatives of the EU to adjust the CAP to tomorrow's economic realities.

● CAP (Common Agricultural Policy) reform and rural development

Let me start with the CAP reform and rural development.

Since 1992 the CAP has progressively been adapted to better serve the aims of sustainability, including environmental protection. Today, both pillars of the CAP include a series of measures that contribute towards these objectives:

The introduction in 2003 of a system of direct payments, known as **Single Payment Scheme (SPS)**, marked an important step of the CAP to better contribute to the aims of sustainability. Decoupling producer support from production has allowed EU farmers to make their choices in response to market signals, to rely on their farming potential and preferences when adapting to economic changes, hence to improve the sustainability and competitiveness of the agricultural sector as a whole.

In order to be consistent with the principle of sustainable development, the CAP is increasingly addressing issues relating to environmentally sustainable production methods and the delivery of high-quality public goods that our societies now expect. Income support is, in fact, fully dependent on "**cross-compliance**", meaning that farmers are obliged to

keep land in good agricultural and environmental conditions and to meet standards in the fields of environment, public, animal and plant health and animal welfare.

Most recently, the EU has reached a fruitful agreement on the restructuring of the wine sector, and we are implementing a fresh set of rules in the fruit and vegetable sector that, with the introduction of the Single Payment Scheme, brought it in line with the rest of the reformed CAP.

Let me now turn to the second pillar of CAP, the **EU rural development policy**.

The EU rural development policy supports the protection of the environment and rural landscapes and aims at fostering growth and job creation as well as enhancing innovation in rural areas.

From 2007, rural development policy is focusing on three core thematic areas:

1. Developing a market oriented, competitive agricultural and food production sector:

The CAP is contributing to a strong, dynamic and sustainable agri-food sector by focusing on the priorities of knowledge transfer, modernization and innovation in the agricultural and food chain as a whole.

Incentive payments are available to farmers who participate voluntarily in EU or national schemes designed to improve the quality of agricultural products and production processes and which give assurances to consumers on these issues.

The development of **organic food and farming** as an overall system of farm management and food production combining best environmental practices is a prime example of our commitment to promote sustainable agriculture. The “European action plan for Organic Food and Farming” (EAP) is directly linked to the conclusions of the 2002 WSSD, encouraging the creation and expansion of domestic and international markets for environmentally friendly goods, including organic products. It puts forward concrete policy measures, such as improving information for consumers and traders, streamlining public support via rural development, improving production standards, strengthening the control system and research.

Let me now say a few words on **agricultural trade** as this is crucial for developing countries, especially those heavily dependent on agriculture for economic growth, and the EU's external agricultural trade policy is also part of the overall process to move towards a more market-oriented and competitive agriculture and agri-food sector.

The reformed CAP allows the EU to strike a better balance between being competitive on world markets, and yet providing public goods through high environmental, food quality and animal welfare standards. We aim to meet citizens', taxpayers' and consumers' priorities in a non trade-distorting way.

In its international trade negotiations, both within the multilateral context and in its bilateral trade relations, the EU seeks to enhance sustainable natural resource management and enable poorer nations to address their problems related to poverty and food security.

2. The reinforcement and adjustment of the role of farming in the maintenance of the environment and the sustainable management of land for future generations:

The EU applies agri-environmental measures supporting specifically designed farming practices that go beyond baseline standards and help

protect the environment and the countryside as well as maintain biodiversity. Regarding less favoured areas, financial support is also available for rural populations facing particular challenges as regards climatic conditions, geographical location or soil productivity.

In the EU, we firmly believe that forestry is an integral part of rural development. Support for sustainable land use should thus encompass the sustainable management of forests and their multifunctional role.

3. The diversification and enrichment of the rural economy and the improvement of the quality of life in rural areas.

To this end, on-farm diversification towards non-agricultural activities, assistance for off-farm activities and strengthening the links between agriculture and other sectors of the rural economy are important.

The Leader + approach, part of mainstream rural development policy, encourages high quality and original strategies for sustainable development. Our experience with the Leader initiative, based on partnerships and exchange of best practices, shows that locally-owned and decentralised initiatives involving all rural actors can contribute

enormously to a region's ability to derive sustainable benefit from its natural and cultural heritage.

● **Health Check**

Over the last 15 years, the CAP has adapted in response to an evolving internal and international environment. Still, for the CAP to remain relevant we want to evaluate and identify any adjustment and simplifications which may be needed to face new challenges and opportunities – in a larger EU and in a rapidly shifting international context.

With this objective in mind, in November the European Commission launched the “Health Check” Communication. We believe that the "Health Check" represents an excellent occasion to take our agricultural policy review further in the period 2009 to 2013, in particular by addressing some key questions:

- **How to ensure that market support instruments remain relevant in an ever more globalised world and an EU of 27.**

The importance of this topic could hardly be clearer just now, when the food prices are rising. The Commission is analysing carefully both the effects of supply shortages of cereals and oilseeds on the most vulnerable food producers and consumers in the EU and proposals for measures to prevent disruptions to food supply and inflationary effects. As an example, the Commission has set at 0% the obligatory set-aside rate for autumn 2007 and spring 2008 sowings. Setting the rate at zero should add at least 10 million tonnes to EU output and help to ease the market pressure on livestock farming and prices. The EU also agreed to suspend import duties on cereals until the end of the 2007/08 season. We are committed to make sure that our supply management tools serve a valid purpose and the Commission is considering the creation of permanent mechanisms to guarantee an adequate market supply in future.

- **How to master new challenges.**

We have identified five: allowing risk management measures within rural development, managing water more effectively, making the most of the

opportunities offered by bioenergy, preserving biodiversity and fighting climate change.

Climate change, in particular, represents a pivotal challenge for the EU and the international community. Agriculture and climate change are closely related both from a mitigation and an adaptation point of view.

Agriculture has significant potential for curbing GHG emissions. To contribute to GHG mitigation and soil protection, the European Climate Change Programme (ECCP) working groups on agriculture and on carbon sinks have developed technical instruments to enhance carbon sequestration and improve production methods, such as more efficient fertiliser applications and better anaerobic digestion systems to deal with by-products and waste, conservation tillage and organic farming.

The strengthening of agri-environmental measures and cross-compliance in the context of the CAP reform also offers opportunities to reduce soil erosion. Moreover, the EU has recently developed a strategy to ensure a sustainable use of soil in the long term and protect its vital functions, taking into account climate change concerns. Specific legislation on this is currently being discussed.¹

¹ http://ec.europa.eu/agriculture/envir/index_en.htm

In order to address challenges related to the indirect impact that the inefficiencies of the production chain have on GHG emissions and the environment, there is a need for life-cycle thinking and a coherent overall approach to sustainable consumption and production policies. In this vein, the EU is currently developing a 'Sustainable Consumption and Production Action Plan', which will also aim at raising awareness among citizens and change unsustainable consumption habits.

Adaptation is a new policy area for the European Climate Change Policy. In June 2007, the Commission published a Green Paper on adapting to climate change in Europe², and an ECCP Impacts and Adaptation Workgroup has been set up to explore best adaptation practices, including more effective use of irrigation and monitoring of soil changes.

● **Development Policy and Sustainable Agriculture**

I have so far concentrated on "how" the EU has mainstreamed sustainable development principles into agriculture and rural development. I would like to look at sustainability questions related to agriculture and rural development in the context of development cooperation.

² COM(2007) 354. *Adapting to climate change in Europe – options for EU action*. Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.

The **European Consensus on Development**, adopted in December 2005, has clearly recognised the crucial importance of agriculture and rural development for poverty reduction and growth and has set out the main EU policy lines for cooperation in these areas. This includes stepping up investments in rural areas by supporting country-led, participatory, decentralised and environmentally sustainable territorial development. Territorial development includes the management of resources and respecting the capacity of eco-systems. With respect to agriculture, the Community agreed to focus on access to resources (land, water, finance), the sustainable intensification of production, competitiveness on regional and international markets, risk management and agricultural research.

The need for agriculture and rural development to regain prominence in development cooperation was recently also acknowledged by the World Bank, as the 2008 World Development Report focuses on agriculture in a development context.

A number of Community financial instruments exist in order to implement EU development policies and to assist developing countries in achieving sustainable growth and poverty alleviation.

- The **Development Cooperation Instrument**, which includes a number of thematic programmes.
- The **European Development Fund (EDF)** which operates in the ACP countries (78 countries of Africa, the Caribbean, and the Pacific). Ongoing programmes and projects are financed from the 9th EDF (2002-2007) and include a range of initiatives on agriculture, food security, commodities, natural resources management, environmental monitoring etc.

Delivering more financial support is important: the EU is already the world's largest provider of Official Development Assistance (ODA) and has set itself a series of objectives and targets between now and 2015 for its members to progress towards the target of 0.7% of GNP. However, the EU will not only provide more assistance, it also calls for better, more effective assistance. In this context, donor cooperation and coordination of financial support in the agricultural domain is paramount to create an improved enabling environment for agricultural development in the poorest countries of the world.

● Conclusion

In conclusion, we believe that the achievement of internationally agreed goals in the fields of agriculture and rural development, and in particular the objectives set out in the Johannesburg Plan of Implementation, will only be possible with the active participation of all stakeholders. The need to address emerging global challenges, such as climate change, risk management, food security and malnutrition, gender constraints, call for an integrated and coherent approach. If we are to achieve effective results, a strategic division of labour is needed between the various actors and partners, both at the public and private sector levels, and all through the production and consumption cycle.

Agricultural development and natural resource management feature high in both our internal and external policies. The EU calls for a holistic approach, a long-term view and the identification of the synergies between the cross-cutting elements of sustainability.

I take this occasion to wish this Regional Implementation Meeting success, and hope that the deliberations in the coming days will bring this meeting to a fruitful conclusion in the run up to the New York meetings in May.

Thank you for your attention.