Towards a Sustainable Agriculture: A Workshop on Global and EU Medium and Long-term Policies

Institute of International and European Affairs, Dublin, 29 October 2015
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Speakers: Frank van Tongeren, Head of Division, Trade and Agriculture Directorate, OECD; Rogier Schulte, Leader – Translational Research on Sustainable Food Production, Teagasc; Tassos Haniotis, Director, Economic Analysis, DG Agriculture, European Commission; Bríd Cannon, Assistant Secretary General, Irish Department of Agriculture, Food and the Marine

Chairs: Tom Arnold, Director General, IIEA; Krijn Poppe, Research Manager and Senior Economist, LEI Wageningen UR

Participants: 38 researchers, policy makers and industry representatives from Ireland and the Netherlands

Aside from two initial keynote addresses this workshop took place under the Chatham House rule, as is reflected in this report.

Introduction

Agriculture is at a challenging crossroads as the world seeks to find the means to feed a growing population that is expected to reach 9 billion by 2050. At the same time, the sector is experiencing increased stress on resources through climate change and environmental factors as well as growing market volatility. Meanwhile, 2015 has been a crucial year for addressing climate change and charting a course for sustainable development, with leaders reaching a global agreement to curb emissions in Paris in December, while in September, governments adopted Sustainable Development Goals for 2030 at the UN. The combined challenges of sustainable agriculture and food security bring a new level of complexity to agricultural policy as policymakers prepare for the OECD ministerial meeting in 2016 and the beginning of the next round of Common Agricultural Policy (CAP) reform.

With this context in mind, on Thursday, 29 October 2015, researchers and representatives from farming, industry, government and finance based in Ireland and the Netherlands gathered for an expert workshop on sustainable agriculture at the Institute of International and European Affairs (IIEA) in Dublin. The workshop was organised by the IIEA and the Netherlands Embassy, in partnership with the Irish Department of Agriculture, Food and the Marine and the Netherlands Ministry of Economic Affairs, and with participation from the OECD and the European Commission. Its purpose was to consider agricultural policy in the medium and long-term, in preparation for the OECD agricultural minister’s meeting expected to take place in April 2016.
Summary for Policymakers

- Participants noted that a range of new issues have clearly emerged in the global debate on agriculture, including: jobs and growth; geopolitical factors, such as the rise of China, India and Africa; consumers and changing preference in diets; changes in the organisation of the food industry; and policy coherence between climate change goals and the CAP.

- Policymakers will need to take these increasingly complex challenges into account and make creative use of all available options if they are to design a truly sustainable agricultural policy in the long-term.

- CAP clearly has many shifting objectives, some of which may complement each other and some of which may be contradictory. Participants were clear that you need at least as many instruments as targets and that there is a need to add to the existing toolkit.

Farmer Income and Price Volatility on the Road to 2020 CAP Reform

- There was general agreement on the need for a variety of more flexible risk management tools, although it was felt that there was limited scope for insurance-based solutions because of farmer reluctance to pay, or willingness to bear costs as they arise.

- Overall it was felt that the sector was in a transition phase, that policy was moving away from traditional intervention and that farmers were learning to live with ‘normal’ risk.

- Farming representatives noted that their incomes have fallen further than consumer prices, and that there may be a need for intervention in the food chain to ensure a fairer distribution of profits.

The post-2015 Development Agenda and the Role of Agriculture in Climate Adaptation and Mitigation

- It was noted that China, Brazil, the US and increasingly Africa are much more significant to the overall dynamic than the EU. Where the EU could have a real impact was in terms of exporting technology and knowledge. Some participants questioned whether there was a need to increase exports from the EU for reasons of global food security, noting that the world is not expecting Europe to feed it.

- There was also a discussion of where the point of obligation on climate change should lie - at the national level, at the processing level, at the farm level or at the consumer level. While there were benefits to having it at farm level, it was noted that it would involve prohibitive transaction costs. It was argued that the processing industry could play a greater role, although others noted they were already strongly involved due to market signals on traceability and sustainability.

Investment in Sustainable Agricultural Growth on the Road to 2020 CAP Reform

- A host of challenges were highlighted, including the older age profile of farmers, access to new land and capital and the slow uptake of technology. Some participants asked whether we should consider food policy over agricultural policy, bringing consumers, who are often not aware of the issues being discussed, into the picture and connecting them with farmers. How can you make consumers aware of the true value of food and change consumer behaviour?

Workshop Report

Global Scenarios
To initiate the discussion, Frank van Tongeren drew on recent OECD research to present three ‘alternative futures’ for agriculture in the long-term. He cautioned that he was not seeking to make long-term projections on how markets will develop, with a corresponding search for the optimal policy. Rather the intention was to sketch a number of alternative future scenarios which would provide a basis for the exchange of ideas and robust but flexible policy formulation.

The three scenarios presented were: ‘separate growth’, in a world focused on maintaining sovereignty and self-sufficiency; ‘sustainability’, with an emphasis on greening and the environment; and ‘globalisation’, focused around unfettered economic growth and expansion. It was noted that the separation between these scenarios was largely artificial and it will be some combination of the three which will materialise. The scenarios were a starting point for discussion of the future we want to see, not an end point, and would need to be adapted to specific local contexts.

Seven key concerns were considered across the three scenarios, these included: economic factors, such as food security and the economic sustainability of farming; environmental factors, such as scarcity of natural resources and emissions/pollution; and social factors, such as diets/nutrition and transboundary diseases. For example, in the ‘separate growth’ scenario, environmental and food security risks are strong, while the ‘globalisation’ scenario has strong environmental and social risks. In the ‘sustainability’ scenario, risks across all but one of the seven concerns (economic sustainability of farming) are lower than under the other two scenarios.

Seven key concerns - assessment across scenarios

Based off these scenarios, Dr. van Tongeren noted that the time of falling agriculture prices may be over but any future increase in prices is likely to be limited. In a sustainability-focused world he noted there would be at best a moderate growth in meat production and that meat prices would follow demand and dietary change. Across the scenarios, the scope for increases in farm income was much smaller in Europe and North America than in other regions such as Latin America.

Dr. van Tongeren noted that price volatility may increase and therefore there was a growing demand for risk management in agriculture. He said that in this regard there would need to be a clear threshold for when government intervention is warranted. Intervention may be necessary in the case of catastrophic events, such as floods or droughts, but farmers would need to take responsibility for their own business risks related to normal weather and market fluctuations. Farm associations could have an important role to play in helping to pool risks and in sharing data for risk management. These points provided a valuable basis for the afternoon breakout discussion on farmer income and price volatility.
A New Equation for Climate-Smart Livestock Farming

The focus then shifted to the intersection of agriculture and climate change with an address by Prof. Rogier Schulte of Teagasc, the Irish agriculture and food development authority. Prof. Schulte suggested that the public debate on climate change and agriculture is stuck between entrenched positions from those approaching the issues from a food security perspective on the one hand, and those with an environmental perspective on the other. While there is a general agreement that increased agricultural productivity is a good thing (so long as it is truly sustainable), whether one sees a need for increased agricultural activity depends on whether one’s focus is on food security or reducing emissions. Instead of debating whether to increase or reduce agricultural activity, Prof. Schulte proposed a more nuanced framework based on four questions:

1. The first, based on the demand side, was ‘which food, for whom, grown where?’.

2. The second question Prof. Schulte put forward for debate was ‘how can we ensure the environmental integrity of gains in productivity?’.

3. His third question was ‘how do we reduce the cost of technological solutions to reduce emissions?’.

4. Finally, he asked ‘how can we govern an integrated approach to land use and agriculture?’, which would involve counting agriculture’s contribution to sequestration in GHG emissions calculations, as well as plugging carbon sources and increasing sinks. In this regard he suggested that the EU should consider both the negative and positive contribution of the agriculture sector toward the climate.

Thus, a new framework was suggested which could restructure the debate based off a revised equation for climate-smart agriculture which incorporates these four complex questions.

An EU Perspective on Global Challenges

Following these initial presentations, discussion continued on the drivers shaping the global context for agriculture and sought to consider an appropriate EU policy response. One participant elaborated on how macroeconomic trends and changes on the
demand side related to population, diets and the food chain are creating price and income prospects which are more uncertain than before. They suggested that on the demand side we should reconsider the assumption that China is moving to a ‘Western’ diet – as an indicator of China’s future diet, Korea or Japan were likely to be much more accurate than an American style diet. It was also noted that poultry consumption was growing much more significantly than beef consumption, particularly in the developing world.

The official EU policy response to such challenges would be based on five long-term priorities: market orientation and competitiveness; the food chain; generational renewal; knowledge-based sustainable agriculture; and jobs and growth in rural areas. The latter two issues were new priorities, which would need particular emphasis in future CAP reforms. It was noted that CAP reform was at a crossroads and would need take into account a broad range of factors over the next two decades. One option for the future was to focus on linking CAP to land use and, more generally, it was noted that farmers would have to adapt to a more volatile world.

The EU Agricultural Policy Agenda

In the afternoon the discussion moved on to focus explicitly on the future EU policy agenda. Introducing the topic, some practical details on timing and funding for CAP reform were noted. First, it was suggested that any changes to CAP post-2020 would have to be agreed by April or May 2019 given the EU institutional calendar. Second, it was noted that the level of funding that is available in the Multi-Annual Financial Framework would shape any ambitions for EU agricultural policy. Indeed, there is no guarantee of retention of existing funding levels and there could in fact be less, given the limited emphasis on agriculture in the Juncker Commission’s priorities.

Three parallel breakout sessions were then convened to discuss the issues of: farmer income and price volatility on the road to 2020 CAP reform; agricultural policies for the post-2015 development agenda and the role of agriculture in climate adaptation and mitigation; and investment in sustainable agricultural growth on the road to 2020 CAP reform.

Farmer Income and Price Volatility on the Road to 2020 CAP Reform

This session considered whether the current policies under CAP are sufficient to meet the challenges discussed in the morning regarding income and price volatility. Participants were asked to consider whether there is a need for a variety of more flexible risk management tools, such as those used in the US. There was general agreement on the need for such instruments, although it was felt that there was probably limited scope for insurance-based solutions because of farmer reluctance to pay, or willingness to bear costs as they arise. In the discussion, there was an emphasis on non-policy solutions, or what producers and industry can do for themselves. These included product and market diversification, the role of producer organisations and the development of futures markets (although this option was limited for the dairy sector due to a lack of liquidity). The discussion on policy-based approaches focused on taxation and competition regulation. It was argued that EU state aid rules can impede tax income smoothing policies as a method of addressing price volatility and that more flexibility is required. Some participants questioned whether EU competition law protected consumers at the expense of farmers. Farming representatives noted that their incomes have fallen further than consumer prices, and that there may be a need for intervention in the food chain to ensure a fairer distribution of profits. Overall it was felt that the sector was in a transition phase, that policy was moving away from traditional intervention and that farmers were learning to live with ‘normal’ risk.

Agricultural Policies for the post-2015 Development Agenda and the Role of Agriculture in Climate Adaptation and Mitigation

Participants were asked to consider whether the EU should continue with the current ‘greening’ policy or examine alternatives. It was noted by some that ‘greening’ may not have been effective and there may be simpler and more cost-effective measures to consider. It was suggested that farmers do not understand ‘greening’ and see it as extra red tape. There can also be opposing policy signals at the EU level, with climate policy encouraging one type of behaviour and the CAP the exact opposite. One example highlighted was marginal livestock farming in Ireland, which might not be profitable and is not climate friendly but is supported by the CAP.
Participants discussed whether there is a need, on a global level, to intensify food production and, if so, how to make it sustainable. It was noted that China, Brazil, the US and increasingly Africa are more significant to the global dynamic than the EU. Where the EU could have a real impact was in terms of exporting technology and knowledge. Some participants questioned whether there was a need to increase exports from the EU for reasons of global food security, noting that the world is not expecting Europe to feed it.

There was also a discussion of where the point of obligation on climate change should lie - at the national level, at the processing level, at the farm level or at the consumer level. While there were benefits to having it at farm level, it was noted that it would involve prohibitive transaction costs. It was argued that the processing industry could play a greater role, although others noted they were already strongly involved due to market signals on traceability and sustainability.

Investment in Sustainable Agricultural Growth on the Road to 2020 CAP Reform
Participants were asked to consider the role of investment and growth in agriculture in maintaining vibrant rural areas and the broader EU economy. A host of challenges were highlighted, including, the older age profile of farmers, access to new land and capital and the slow uptake of technology. It was suggested that CAP may contribute to farmers staying on land by rewarding ownership rather than farming. There was agreement that the future would need to see a better policy with less money, as agriculture struggled to compete with many other priorities for the EU budget. Sharing ideas and experience among a wider base of EU farmers was highlighted as one way to spread best practice. Some participants asked whether we should consider food policy over agricultural policy, bringing consumers, who are often not aware of the issues being discussed, into the picture and connecting them with farmers. It was asked how could you make consumers aware of the true value of food and change consumer behaviour.

Conclusion
In summary, it was clear that the CAP clearly has many shifting objectives, some of which may complement each other and some of which may be contradictory. This discussion was a starting point and there will be no lack of activity in this policy area in the coming years. Participants were clear that you need at least as many instruments as targets and that there is a need to add to the existing toolkit. They noted that a range of new issues have clearly emerged, including: jobs and growth; geopolitical factors, such as the rise of China, India and Africa; consumers and changing preference in diets; changes in the organisation of the food industry; and policy coherence between climate change goals and the CAP. While agriculture did not feature prominently in the COP 21 outcome, there will nevertheless be consequences for agriculture. Policymakers will need to take these increasingly complex challenges into account and make creative use of all available options if they are to design a truly sustainable agricultural policy in the long-term.