

## **Can European Farmers Survive Without Protection**

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The history of the past 150 years would suggest that if European farmers had not enjoyed substantial support and protection from the state, they would have been unable to compete and prosper against farmers in other parts of the world, notably North and South America and Australasia. But it is possible that all this is changing today, as the price of most agricultural commodities soars. Speculators are piling in and demand is running ahead of supply. True, there have been similar upturns in the past which have proved short lived, but this one may be sustainable, for reasons I will develop later.

A successful European competitive market in farming can be defined as one where the EU, without subsidies, is largely self-sufficient in food which can be grown indigenously – Milk products, Cereals, Beef, Pork and Poultry, and “temperate” fruit and vegetables.

For the past century and a half this has not been possible, except when war interrupted supplies from low cost agricultural areas of the world. New Zealand butter and powder, Brazilian sugar cane, N & S American corn, maize, soya, beef American and Australian wine, Californian and South African fruit and Asian poultry have all been produced at prices which European farmers could not match because of less favourable climate conditions, high land and labour costs and, recently, strong currencies.

But suddenly prices have risen so much as to make a world without subsidies conceivable – world prices for grain and milk products by as much as 60% in a year. Grain stocks are reducing rapidly as demand rises by 4% and production increases by only 1%. In the past when this has happened farmers have merely brought uncultivated land back into production and solved the supply problem. But there are three new factors influencing the situation which may have long term consequences.

- World food consumption, led by China, is rising more rapidly than before thanks to a growing population and a more affluent and therefore more carnivorous society.
- There are signs already that climate change is playing havoc with growing conditions across the world, notably Australia.
- And as if that were not enough, governments, alarmed by global warming and threats to oil supplies because of political instability, notably in the Middle East, are stimulating investment in renewable energy crops, which is diverting land from food production.

In the late nineteenth century a prophet of doom called the Reverend Malthus argued that the world's population was growing far faster than the supply of food and that a global disaster was inevitable. For over two centuries he has been proved wrong because even though the world's population has grown way in excess of his prediction, food production has risen even faster thanks to a remarkable period of technological and scientific innovation.

- Technology, which thanks to the railway revolution, faster ships and refrigeration opened up the great agricultural potential of the Americas and Australasia.
- Technology which replaced the horse with the tractor.
- Technology which, through automation, reduced the requirement for huge agricultural labour forces in the richer countries and sped up the growing and harvesting of crops, thereby limiting the harmful effects of the weather.
- Technology which enabled farmers to conserve water and irrigate when rainfall was inadequate.
- Science which improved, through genetic selection, the productivity of plants and animals.
- Science which provided plants and animals protection from disease and predators

- Science which increased yield through the application of artificial fertilisers and herbicides which kept weeds under control.
- Science which stiffened the straw of cereal crops, thereby reducing the likelihood of them being flattened by the weather
- A structural revolution which has resulted in fewer much bigger farmers who are best suited to maximising the technology.

Because of all these factors food prices have tumbled (relatively) in every part of the world except Africa. In Britain, for example, when I joined the food industry 40 years ago, a third of disposable income was spent on food. Today that figure is less than a tenth, and the resulting surplus has been diverted to create the consumer boom with all its benefits (and sometimes disbenefits).

Except for the war factor, the last European crisis of food supply was the Irish famine, and India last experienced famine in 1943. Indeed, in the post war world, over supply has been the problem, stimulated by the well intentioned but misdirected subsidies and protectionist barriers created by North American and European governments.

But it will be more difficult for the world's farmers to meet the needs of a growing and affluent population in the future than in the past.

- Population growth, from 6 to 8 billion over the next forty years is far greater than before.
- And as people get more affluent they are switching from vegetarian to meat eating diets, and the conversion of animal feed into meat for human consumption is a very inefficient way of using agricultural land.
- There are no revolutionary techniques around the corner to match the impact of the railways, the internal combustion engine and the forklift truck.
- In its pursuit of increased food production science has drifted into some unacceptable practices which have endangered human health and reduced biodiversity. As a result, in many affluent countries, there is a mood to resist and reject agriscience in favour of medieval so called natural or organic farming methods.

- If governments stick to their policy to replace up to 10% of oil and coal usage with renewable energy crops, vast swathes of land will have to be taken out of food production.
- And unlike the situation in the 19<sup>th</sup> century, there are no vast reserves of land available for food production, perhaps no more than 5% spare capacity.
- And finally there is the problem of water supply. Already agriculture absorbs 70% of the water which falls on the land. There is no spare capacity for the huge increase in demand, and indeed climate change will almost certainly destabilise water supply which may lead to extremes of flooding and drought occurring during vital periods of plant development.

So my prognosis for the future would be along the following lines.

- The scientists must be allowed and encouraged to pursue responsible innovation, which will produce plants which can resist the extremes of climate and predators without unacceptable impacts on the environment. (The big argument is of course what is unacceptable.)
- The science and technology which is already available to the affluent farmers of the west must be globally available.
- In the affluent world measures must be introduced to reduce the appalling waste (nearly 50%) throughout the food chain caused by the over indulgent, neurotic consumers. In the poorer world, existing technology and science, if available would dramatically reduce waste caused by inclement weather. I would guess that this waste is at least as great as that created by the self indulgent consumers of the West.
- The number of farmers, especially in the developing world, but also many parts of the EU can and will reduce substantially, enabling fewer but larger farmers to fully exploit the benefits of technology.

However, even assuming that “remedial” action of the sort that I have just described takes place, I believe that gross over supply is unlikely to be as chronic in the future as it has been in the past, for the following additional reasons

- Over intensive methods which endanger biodiversity will not be tolerated.
- Many over intensive methods are already showing signs of being counter-productive especially in the livestock section; antibiotics in poultry, health breakdown in dairy cattle, devastating infectious diseases in pigs.

Let me look a little more closely at the prospects for European farmers against this backcloth, firstly high lighting factors which are common to all EU countries and then considering the remarkable number of variables in European agriculture.

European farmers still enjoy high levels of public subsidy and support through the Single Farm Payment and a diminishing regime of market support and tariff protection. The Single Farm Payment will remain largely intact until 2013 but the market support and tariffs will become redundant if current high prices remain.

- The Euro and the Pound have been and seem likely to continue to be strong currencies in the world, which puts European farmers at a competitive disadvantage.
- In the post war years, when food was in short supply, the producer ruled the roost. But in recent years, as supply has tended to run ahead of demand, it is the consumer who has called the shots (symbolised in supermarket dominance).
- The supermarket debate is for another day, but I would say to those who blame the supermarkets for all their woes, that the latter merely reflect what consumers demand – low food prices to enable them to spend their money on other goods and services.
- As a consequence of reckless applications of science in the post war years, when farmers were encouraged to cut corners in order to increase food supplies, there has been a steady increase in environmental pressure groups influence over policy makers and the public. There is a danger that the pendulum has now swung too far, as an irrational hostility to agriscience takes root.
- For similar reasons European agriculture has become increasingly regulated, as the Commission and governments strive to protect consumers and the environment from real or imagined risks

perpetuated by modern agricultural practices. This trend will continue, but it can get out of hand and put European farmers at a competitive disadvantage against less regulated food imports.

So much for the common ground between European farmers. But the most striking feature of the Single Market is the range of variables affecting farmers, by country, by region and even by parish.

- Huge variations in climate which may increase as climate change gathers pace.

The cooler temperate regions of the North may benefit at the expense of the arid land of the South.

Indeed British and Irish farmers may even benefit from climate change because temperatures will enable them to grow a more diverse range of crops than at present.

- There are, and will continue to be great differences in soil fertility, from the thin rocky soils of Connemara to the thick black soil of the Fens in Eastern England.
- In the affluent West, labour shortage is now the major issue for dairy, intensive livestock, horticultural, fruit and veg and processing businesses which increasingly rely on migrant workers from Eastern Europe. (Now countries like Poland are themselves suffering because of this migration and are increasingly relying on Asian workers to keep their building trade going).
- The affluent West is experiencing a huge rise in land values as housing shortages increase and wealthy commuters invest in rural housing. In some countries, notably England although the farming population is declining the rural population is growing again after a century of decline. The Eastern European countries are neither enjoying the benefits nor suffering the hardships of these developments.
- The size of farms also varies considerably, from the substantial landholdings which have developed in Britain over the past century and a half, because of industrialisation and urbanisation, to the medieval feudal structures which still prevail in many Eastern regions like Silesia. Costly, ill advised attempts through the CAP to maintain the status quo have failed.

- And because of this variation in size, the larger farmers are able to afford the latest technologies, and thereby enjoy further competitive advantage against the smaller ones.
- Farmers located next to large urban conurbations incur additional costs as a result, but they can also access profitable fresh markets which are beyond the reach of farmers in remote areas. Remoteness is not necessarily a problem in England and Ireland, but it certainly is in such countries as Poland, Romania, Bulgaria and even parts of France and Spain.
- Enterprising farmers, living in attractive countryside, (France, again) have been able to diversify into tourism and other business activities – not so easy if you live in the back of beyond in Bulgaria.
- Cultural differences also affect the competitiveness of European farmers. One only has to contrast the enterprise and skills of French farm cheese makers and Italian meat processors with the inertia of their British and Irish opposite numbers – though there are belated signs that the latter are beginning to wake up.
- Cultural and educational differences are reflected in the expertise of large farmers in the West, but this has to be offset by the hard work and commitment of smaller, traditional farmers.
- The CAP and its subsidy system has created a dependency culture and an unhealthy false sense of security amongst EU farmers. Small inefficient farmers somehow contrive to struggle on, whilst enterprising ones are restricted and inhibited by this obsession with maintaining the status quo.

I have elaborated on all this diversity to make two points

- That all markets are diverse, non more so than agriculture
- And that attempts to manage the industry through subsidies are bound to fail in the long term because of this diversity.

**So what of the future?**

I believe that the Reverend Malthus prediction of doom can only be disproven, if scientists and technologists continue to innovate, but perhaps on a more dramatic scale than they have done in the past 200 years. It seems odd and bizarre that the very same people who responsibly persuade the public about the dangers of climate change, can also irresponsibly campaign against the key elements of agri-science and agri-structural development.

Farmers and scientists however, must use the new ideas and techniques more responsibly in the future than they have done in the past. There must be more testing and scrutiny of new products before they are applied commercially. But, inevitably there will be a trade off between a planet populated by 2 billion more people and the same planet's diversity. Too often the opposite sides in the argument duck this reality – the environmentalists want the world to stop in its tracks and freeze all development. The Malthusians pretend that science can solve the problem without trade offs. Both are wrong. The argument must concentrate on what is an acceptable trade off.

There will always be some element of risk in food production, and judgements have to be made about what is or is not acceptable. For example DDT was an acceptable pesticide 40 years ago until further research proved it to be more dangerous than was thought, and it was banned in all the rich countries of the world. But it continues to be used, legally, in many sub tropical countries. Why? Because it is still the most effective pesticide in controlling the tsetse fly in straw huts and malaria is a much greater risk than DDT.

I believe that genetic modification remains the most exciting idea in agriscience, which may disprove the good reverend's theory by developing plants that can resist climatic extremes, reduce rather than increase the damage to biodiversity by creating "natural" resistance to disease and predators and mitigating agriculture's contribution to CO2 emission.

Science can also reduce the quantity of energy needed to grow food – less ploughing, less reliance on oil based chemicals, less waste.

Agricultural luddites wax lyrically, nostalgically and quite erroneously about a golden rural past. In fact only the great landowners were having a good time. For the vast majority rural life was hard, badly paid and miserable, and the dreadful industrial towns of the north of England were far more appealing than the grimness of life in Connemara and the Highlands. The reduction of the number of farms has been both inevitable and, socially, the least harmful option. This trend towards larger

farms will continue – for economic and social reasons. Technology will continue to replace manpower, and, besides, in the affluent countries the indigenous population is no longer attracted to the relatively arduous jobs on farms.

Part time farming is already a common place in the more affluent European countries and will expand further, again for good economic and social reasons. Diverse work opportunities abound, whether it be more tourism, small rural businesses trading electronically or work in the near by towns.

In those same countries, where access has become so much easier, rural populations are actually rising once again after a century of decline as people who work in towns, choose to commute to and from the countryside. This is a worrying problem because commuters are forcing up property values (to the benefit of rural property owners, mainly farmers), making housing unaffordable to young rural workers and generating urban spread with its undesirable environmental consequences. Much better that people who work in towns, live in towns.

Against this background the economic argument for the CAP will become less and less justifiable, because farming should, for the most part, become profitable. Sure, there will be blips and my major concern would relate to biofuels which could be overtaken by more effective energy alternatives in the future – carbon sequestration being the big prize. Besides it seems irresponsible to jeopardize food supplies by switching too much land into renewable energy crops, whose environmental advantages may be less than is presently assumed.

But whilst the economic justification for the CAP diminishes, there remain social arguments for targeted intervention in rural communities where for reasons of remoteness, size and quality of landholdings, and demography (an aging community) pockets of chronic poverty remain. But should not these social problems be best taken care of by national or regional governments rather than the European Union?

So I conclude by arguing that the present CAP should be phased out over the next ten years, because it will be seen to have failed in its social objectives and become superfluous in its economic ones. A common European approach, through legislation, has never succeeded, because of the diversity of problems at national, regional and local level. A European budget should still be the basis for transferring, through taxation, money from the richer, western members, to the poorer eastern ones,

but it should be left to national governments to assign such funds, assuming of course that they do not break the rules of the Single Market.

The economic argument about food security, so relevant in the post war years of food and rationing, no longer apply in today's world, and this has been the case for over 30 years.

But, until very recently, European farmers would have found it hard to compete against cheap inputs, especially when countries like the USA and Canada continue to subsidise their farmers. For all these reasons I have put forward – world population growth and climate change – I think that over the next five years European farmers will be able to compete without subsidy, assuming of course that the other subsidising regions, notably North America, follow suit.

But, of course, as in all competitive markets there will be winners and losers. The more enterprising, unshackled by quotas and set asides, but farming in an environmentally responsible way, should prosper, even allowing for the vicissitudes of weather, currency and the wider economic scene.

In many parts of Western Europe, Northern Germany, most of France, Denmark, Holland and Britain, farm structures are for the most part competitive. In others, for example, Bavaria, part time farming has prospered for years. This seems to be the way things are going in Ireland.

But in the Eastern countries of the EU, especially Poland, Romania and Bulgaria, rural society is still nineteenth century rather than twenty first – labour intensive and even horse reliant in some areas. It is these latter groups which require special support from the state to enable them to modernise and complete an agrarian revolution.

Farming in Europe and across the world may be experiencing a seismic change which occurs only every two or three generations. And here in Europe we should face up to and exploit these new circumstances, rather than burying our heads in the sands and clinging to the status quo. I believe we will do just that – indeed it is already happening.