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"As long as people want to eat and drink, there'll be farmers"

*A conversation with Franz Fischler, Member of the European Commission
Responsible for Agriculture*

How is commissioner Franz Fischler imagining our farmer's future? Why does the EU need agricultural policy? And will the current principles survive the enlargement process?

Bündler & Höltzsch: Mr. Commissioner, how will European agriculture look in twenty or thirty years? Will there still be farmers as we know them?

Franz Fischler: As long as people want to eat and drink, they will need farmers. Of course the range of products will increase, to combine the production of wheat, milk and meat with that of public goods. By public goods I mean the landscape, the environment, natural spaces of habitation. But there are other changes and expansions coming, too. The conflict in the Near East reminds us that resources such as fossil fuel are finite, and that it won't be possible to put off much longer switching over to solar power and other alternative means of energy. Which can only mean turning to the plant world. I am also convinced that biotechnology will make it possible to extract more products for chemistry or the textile industry from plant production. I can imagine that car bodies will be a plant product in twenty or thirty years.

HB&RH: So farmers will become suppliers of natural resources to the chemical and automotive industries. What effect will that have on agriculture? Will it be only the big concerns that survive?

FF: Raw resources and energy production stand the best chance on big areas, and the trend to larger operations will certainly continue. You can't pretend otherwise. But it isn't going to be the only trend. We're getting a mix of large-surface farming and smaller estates, and there's a growing variety in the sorts of demands the consumer is making of produce. I also believe more people will be trying their hand at farming for the sheer fun of dealing with nature. Farming as a hobby will take on a certain importance.

HB&RH: You're obviously not afraid of genetic engineering.

FF: In principle no. Genetic engineering is a modern production method, and our farmers will and should learn how to use it. This means of course that we must be able to supervise the use of the technology in some effective fashion. We need guidelines for genetically altered products and a proper system for labeling them. We need to offer more selection to a consumer population

growing ever more fragmented.

HB&RH: All surveys show that the majority of consumers is against genetic engineering. Do we need a new generation of consumers?

FF: Let me tell you an anecdote from Holland as an answer. About two years ago, a supermarket chain deliberately put genetically altered and traditionally raised produce next to each other on the shelves. The whole thing was accompanied by information brochures, and after three years the altered produce was selling better than the other sort. But you're right, there are considerable prejudices against genetic engineering, which can be chalked up to the consumer's inability to identify the advantages of the technology. We already have a surplus of traditional produce, after all, so why should we change to genetically altered? This will be decisive for the future. If the advantage does not become apparent then there is no future for genetic engineering in agriculture. But it will take on all the more importance in the production of materials destined for technical applications.

HB&RH: Examples?

FF: Plants that can secrete or supplement certain vitamins or substances for the pharmaceuticals industry, for instance, or etheric oils for cosmetics. Or plants that supply great quantities of biomass, for use as fuel. There are already some examples of that, such as elephant grass.

HB&RH: And we'll power our cars with biodiesel and agro-alcohol?

FF: No, I don't think so. Biogasoline will be too expensive for too long for that. There's more promise in the production of plants for heating purposes, combined in part with electric power production.

HB&RH: Will this require an agricultural policy too?

FF: That's an interesting question: it raises the general question of the reason for an agricultural policy in the first place. I believe we need a sound agricultural policy as long as the public goods produced by the agricultural industry are not paid for by the market.

HB&RH: Like a beautiful landscape?

FF: Right. So if our society wants a beautiful landscape then it needs an agricultural policy. Because otherwise the farmers won't pay it any mind. As long as farmers are expected to provide a certain quality and a certain service to society, they have a right to expect something from society in return. We don't need an agricultural policy to ensure the quality of the produce, we have other instruments to do that. And anyway contemporary agricultural policy is really a sort of social policy, a form of social security for the little farmers. This dimension of agricultural policy is probably on the wane. In fact it will lose significance in general, the more we are able to integrate the production of resources into the normal economic system.

HB&RH: So we could see an end to subsidies as we know them?

FF: We have already reached a certain limit, where we are asking ourselves (justifiably) whether we shouldn't delink agricultural policy and production. Shouldn't we do away with all incentives to increase production and focus on

the second component, the farmers' services to society?

HB&RH: Who will compensate the farmers for these services? Will the consumer have to dig deeper into his pockets?

FF: There are two options. One is to compensate them by way of produce prices. That was the old philosophy: the farmers should get the best possible prices for milk, grain and meat, and with any luck they'll automatically produce beautiful landscapes and protect the environment. The last thirty years have taught us a different lesson, of course: the higher the prices, the more the soil was expected to produce and the harder the animals had to work. The farmers had enormous incentive to spread more manure and spray more pesticides. This experience with intensive agriculture has made us want to try the second option: we must also compensate farmers for providing us with "public goods" like a beautiful landscape or environmental protection. And as long as the market doesn't do this, we need a political tool.

HB&RH: How does this square with international commercial policies? The eu is going to have to further open its own markets too, after all. Will there come a day when Europe will basically be without its own agricultural policy, in view of the international division of labor?

FF: History teaches us that it is extremely risky to try to do without a measure of self-sufficiency, at least for times of crisis. European sovereignty requires, therefore, that we be able to take care of ourselves. Which does not mean, however, that we must do everything ourselves. Rather it is economic networking that will be one of the key elements in maintaining peace. And it is another question whether we should ship our surpluses to other parts of the earth. No, all we need is enough of our own production to allow us to weather a storm under our own steam. That doesn't mean 100% self-sufficiency. Today we produce as much as a tenth more than we need ourselves, which isn't right. So there is lots of room for maneuver in the international negotiations.

HB&RH: So far the eu has been building down surpluses with subsidies on the markets of other countries, and thus making life hard for farmers there. Is there any moral or ethical justification for such a policy?

FF: There is no long-term justification for export subsidies. They are a product of the old agricultural policy, which controlled everything through prices. Now that we have raised expectations of wage and welfare in Europe, however, these prices must be raised against those to be found in developing countries. And for this I need a system that regulates international exchange: what comes into the eu is taxed by way of import tariffs. And I can only export in such a system with the help of subsidies, because otherwise the expensive European products would never sell. The new thinking is different: classical agricultural products, such as milk and meat, must stand on their own in the international price arena. If they can do that then we no longer need support for exports.

HB&RH: What sort of timeframe can we expect for such a dismantling of export subsidies?

FF: I would say it will take another half a generation, or roughly fifteen years.

HB&RH: What are your expectations of the current "Doha Round" of wto negotiations on the liberalization of world trade?

FF: We will end up committing ourselves to further reductions in our export subsidies, which assumes that our partners are also ready to take such a step. The fact that there are loopholes in the international trade system is becoming increasingly intolerable. Take wheat, for example. As often as not our exporters have charged a lower price than their American competitors, but still lost out to them on deals. This can only mean hidden subsidies.

HB&RH: Are price reductions inevitable in the eu if subsidies for export are decreased?

FF: Depends on the sector. On the grain market, world prices are actually higher than our state-supported prices. The milk market is a different story, we haven't initiated any serious reforms there yet. And sugar isn't any better. Those are the two main problem children. We're in a good position with meat, at least when the markets are behaving normally and there are no problems with bse or other unpredictable factors.

HB&RH: Mad cow disease seems to have been all but forgotten. What has it taught agricultural policy-makers?

FF: There are of course some who would dearly love to bury the whole business. For my part I think it is absolutely necessary to learn something from the experience: we need to know exactly where our meat comes from, and we have made a start on this. It's a concept we need to extend to other sorts of meat, and indeed to other products. The second lesson is that we must do more for the security of our produce, but there are limits here too. In the heat of the bse crisis everyone was screaming about 100% guarantees, which anyone with any sense knows don't exist. People need to be told this. Of course it doesn't change the fact that we need to invest more in research and scientific support for our agricultural policy. And we must also see to it that the farming lobby doesn't simply dictate policy to us.

HB&RH: After the bse crisis, everyone was calling for a more ecological farming industry. What's become of that?

FF: The positions have been further polarized. One camp is even calling for the abolition of the agricultural policy altogether, which would only cause as many problems as it solved. Without a policy we would see a much more drastic industrialization of farming. Farmers can't do everything at once: either we ask them to attend only to cost and product optimization and do without subsidies, which is bad for the environment; or we cover the additional costs incurred for environmental protection. And we're back where we started. The other extreme is represented by those in favor of a nirvana policy: Everything is fine the way it is, just don't change anything. What's interesting is that this camp assembles the prophets of doom from Agenda 2000, our agrarian reform project of 1999. Pushing ecofarming is one way to respond to changing consumer demands. But there are hardly any serious champions of that view of the future left. Even the German minister of agriculture, Künast, dreams of only a 20% share for ecofarming these days. So we can't simply block out 80% of reality.

HB&RH: This past June you called for further reforms in agricultural policy. Will these mean that farming will begin to resemble your view of the future?

FF: We started in 1999, actually. This is just the next step. If we want to compensate our farmers seriously for their contribution to society, we'll have to

make further changes in the policy. To date we have been spending 90% of our agricultural budget on income assistance, export subsidies and surplus storage. Just one tenth goes to support rural development, the policy's so-called second pillar. We pay for environmental protection programs, for instance, for the promotion of ecofarming and the reforestation of cropland. We support farmers looking to create for themselves a second economic foundation by offering farm vacations or opening a farm shop and selling their own products retail. There are also programs for village renewal and for the protection of our rural heritage. And we help farmers going into early retirement, for economic or for health reasons. This is a list of services we want to keep expanding, and I can easily imagine that we will be including the location of cottage industries and other small businesses in the countryside as well.

HB&RH: The coffers are empty. Where will the money come from?

FF: That's right, money for the agricultural policy is in fact dwindling. That's why we have to transfer funds from the first pillar to the second, otherwise it won't work. One possibility is to cut contributions to large concerns and channel the money saved elsewhere. It makes economic sense: the bigger the farm, the less it needs subsidies.

HB&RH: What will become of income assistance for the rest of the farmers, the direct payments?

FF: The first pillar cannot remain the way it always was either. We can't have farmers receiving income assistance regardless of their production. We have to impose new conditions on the payments: if you get eu moneys for your crops, then you can't use more manure or pesticide than the soil and groundwater can bear. If you want help for your cattle and milk-cows, then you better be certain your stock are well and humanely cared for. And third of all, we need to further delink our support from production. Our agricultural policy cannot be causing farmers to produce more and more intensively, which is especially urgent in the case of grain and beef, the recipients of 80% of the direct payments so far.

HB&RH: Won't that mean in the end a cozy transfer system: farmers getting money for nothing?

FF: Not at all. Delinking our assistance from the obligation to produce wheat, milk or meat must go hand in hand with clear conditions. There won't be any money for nothing. All that will fall away is the duty to produce. But we can certainly make demands about the environment and the landscape.

HB&RH: Why haven't you simply proposed so-called green premiums, which farmers can receive regardless of their use?

FF: We made an intensive study of these things during Agenda 2000, and it turned out that we don't even know how much green land Europe actually contains. And certainly not how it's apportioned and what are the conditions of its complementary use. In Spain and Portugal, for instance, there are cork trees growing on green land. And something else: if we did have uniform prices in the eu, this would mean an uprising, especially in Germany, because the result would be a massive shift of funds to regions with marginal areas, like the Swedish tundra or the Alpine meadow. Those countries would be the big winners, and that's just not on.

HB&RH: Couldn't the eu wait until the Doha Round indicates the extent to which it must cut its agricultural subsidies?

FF: No, we have to start thinking now, above all because it will give us increased room to negotiate in that very Doha Round. If I really want to make a change, I have to turn this into a bargaining chip in the international negotiations on liberalization of trade. I think it is totally wrong to do nothing now and just wait for the end of the Round, and its decision. This would leave us no chance to influence the negotiations to our advantage.

HB&RH: How does your midway evaluation of the most important individual agricultural products look? What needs to change?

FF: The market is working relatively well for grain. For months now we haven't required any export promotion. So there aren't any fundamental changes needed there. Certain individual areas do require reform, however, like rye, where two-thirds of production goes into public storehouses, or durum wheat, where there is a problem with quality (around 80% of durum production is not fit for pasta, but only for animal fodder). The markets for beef have recovered nicely since the bse crisis, and still show the progress of the measures implemented in the course of Agenda 2000. We have only to finalize these steps and we will have accomplished our goal. As for milk, the 15% price reduction ratified by heads of state for 2005 is insufficient. It may be enough to allow us to dispense with the export subsidization of cheese, but not of butter. With milk we are up against realpolitik: the first reform measures were approved by ministers of agriculture in 1999, but turned down by heads of state. The European Commission cannot oblige the member states to change their systems, it can only fuel the debate. With sugar we are awaiting the results of a study before putting our new proposals on the table next year. Here the main problem is how to create a sensible competitive situation: the sugar business is a pure monopoly in most member states at the moment. Next year will also see our attention turning to other sectors, such as olive oil, wine, fruit and vegetables, tobacco,...

HB&RH: The eu is planning on accepting up to ten new members in 2004, mostly from central and eastern Europe. This will mean a jump in the number of farmers, since Poland alone has nearly 20% of its population in agriculture. At the same time, the farms in many of these states are both tiny and unprofitable. Won't this mean an explosion of agricultural subsidies, or indeed the complete collapse of the policy?

FF: There is no reason for the General Agricultural Policy to collapse just because the eu is expanded. We have made concrete proposals for handling the new members. The real problem is that these countries require a restructuring of their farming industries. You mustn't forget that half the surface area is worked by subsistence farmers. And this isn't just a Polish problem, as many believe, but is generalized throughout the new candidates. In Poland it's more a problem of these subsistence farmers having no other pursuits besides subsistence, which is of course a catastrophe. And it will become all the more glaring when prosperity begins to increase in the population centers while the farmers stagnate. So the key to a sensible solution is introducing into these countries at least a certain measure of the reform western Europe has already undergone.

HB&RH: So Poland has to get ready for the mass extinction of its farmers?

FF: People often forget the way we went through our own restructuring. There was no forced exodus from agriculture, rather people were wooed away by the promise of employment in other sectors. We mean to foster a similar movement in the candidate states with instruments like rural development, as I mentioned before. We aim to use it to promote the extension of the infrastructure in the new member states and to create incentives for investors to move into these smaller areas instead of preferring the major centers. If we can't do that then our efforts to aid agriculture won't bear much fruit, since the rural structures are in a state of collapse. The active population will move to the cities and the villages will grow even older. This is the essence of the dispute we had with Poland, for example: we are ready to spend more per capita on rural development there than in the "old" eu. They can also participate in our market structures, and thus profit from price support and export subsidies. But we don't want to create a completely unnatural situation by guaranteeing the farmers the full direct payments (income assistance per hectare or per animal) right from the start. That would mean they would suddenly be earning a multiple of that earned by industrial workers, and we would have achieved the opposite of what is necessary: instead of bringing about a restructuring, we would have cemented the old, unprofitable structures. This might help the farmers for a couple of years, but then they would still be out of luck.

HB&RH: And yet the eu proposals for Poland have been criticized from the very beginning. Were expectations too high among Polish farmers?

FF: Every Polish government for years now has needed to enter into coalition with agricultural lobbyists to secure its majority in parliament. Which means the development of some completely illusory expectations, and a corresponding difficulty dealing with reality. People with political responsibilities have unfortunately been acting to some extent quite irresponsibly.

HB&RH: Poland is meant to be opening up its markets, but it won't be receiving the same subsidies as eu farmers. Aren't allegations of discrimination understandable?

FF: Maybe they would be if the basic situations were identical on both sides. Which they aren't. Our models are showing a clear trend: the worst thing for farmers in the candidate countries is staying out of the Union. That would mean the biggest deterioration of their lot as compared with the status quo. With entry into the Union, on the other hand, their revenues would improve enormously even without direct payments, just by virtue of their participation in the common market and their access to our market structures, with their attendant "traditional" subsidies. Of course, this can only happen if they start producing in conformity with our standards for hygiene, among other things. That's why it is so important that we invest now in the improvement of these standards. Beyond this, we want to provide the farmers in the new member states with 25% of the typical eu direct payments from the very first, in order to stabilize their incomes, and then gradually raise these payments to parity over ten years. Our models have also shown that 25% direct payments to a Polish farmer with 30 hectares of farmland would contribute roughly 20 to 25% to his annual income, while a similarly sized French farm would see the same results with the full direct payments. So different methods may actually be necessary in order to achieve equivalent effects.

HB&RH: But many eu member states find even this solution too expensive. Some of them are calling for more radical agrarian reforms even before the Union is expanded, especially the abandonment of direct payments. What do you make of this?

FF: If we let our farmers believe that they'll be paying for the expansion, then we must expect anything but happy results on the political level. That's why we favor treating the two issues separately. We will have to stick with the midway evaluation and the corrections it recommends; a fundamental reform is not in the cards. That doesn't mean, however, that we have given up on further developing our agricultural policy altogether. But I do believe that this debate about the connection between agrarian reform and expansion negotiations will soon be history, now that the midway evaluation has been presented.

HB&RH: But isn't the period from now until the expansion the last opportunity for years to come to initiate a fundamental agrarian reform? Will countries like Poland ever be willing to give up what they have fought for so energetically?

FF: Well, all candidate states are naturally looking to get the best possible deal out of these entry negotiations. They aren't any different from the existing member states in that sense, no more and no less egotistical. But I don't share the anxiety about these states resist-ing all reform later on after they have become members, this expansion of the Union doesn't mean that we are surrendering all of our good sense, after all. The new member states will have to pay their share of the eu budget, and thus share our interest in not letting expenditures spiral out of control. And don't forget, we will still have our obligations to the wto to fulfill, even after the expansion.

HB&RH: How will the Union's expansion affect the division of labor in the European farming industry? Will farmers in eastern Europe produce other things than their western counterparts in the current Union?

FF: Our studies suggest that there will be competitive pressure brought to bear in the short and medium term on crops in the "old" Union, as for instance in the production of feed, where the candidates have the edge on us. This could mean a shift in favor of the new member states. On the other hand, milk and meat production in these countries could continue to decline in importance, which would mean opportunity for farmers in the current member states.

HB&RH: Thank you for your time, Mr. Commissioner.

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