

Dr. Franz Fischler

Former member of the European Commission

“Fruitful Future”

**The Multifunctional Role of Agriculture – Nostalgia or Forward
Looking Policy**

The Royal Ministry of Agriculture and Food

Hardanger, 21st April 2005

Check against delivery

Ladies and Gentlemen!

It is a great honour to participate in your commemoration of the peaceful dissolution of your country from Sweden.

This date marks not only the birth of the Norwegian Nation, its sovereignty and national identity but the Norwegian citizens also identified the western fjord landscapes as the Ideal of the Norwegian landscape. Its unique combination of wild nature combined with culturally transformed agricultural areas, pastures, arable land and forests with small villages and large farm houses, with little harbours and fishing lodges is the real and original Norway. In other words, the real Norway is the rural Norway.

The famous novels by Trygve Gulbrandsen come into the mind of Central-Europeans, when they read and hear about the importance of your archetypical landscapes for your identity. He was 11 years old, when Norway had dissolved from Sweden and so he grew up at the crossroads between the old traditional way of life and the upcoming industrialisation. He felt, like the Romantics in Germany years before, that the way of life over centuries would change soon.

The farms were no longer a strong hold of self-sufficiency, producing almost everything on farm. They were no longer almost independent from the market. They were no longer a self-contained society with strict rules and a clear structured hierarchy. Natural disasters, diseases

or accidents were seen as acts of God, bad blows were tolerated without major complains. People feared the nature more than they liked it.

But the industrialisation with all its consequence had already started in the centre of Europe. The modernisation came not to a hold at the farm gates. Upstream and downstream industries were developed. The mechanisation and the use of chemicals started, new breeding methods a more systematic field management, modern hygiene and more and more differentiation in the production chain was coming up. The modern techniques increased the efficiency of the farm sector and finally the big move to the centres and to the urban areas, where new jobs could be found, was initiated.

The Romanticism was a last fair-well song to the so-called “good old times” glorifying them whereas the countrymen were more enthusiastic about all the facilitations and the decrease of insecurities of their life. Farming was in the old times not only multifunctional, it was almost omni functional.

With the start of the industrial era the farms became market related. More capital was needed to buy all the modern equipment and all the necessary input. This required also more farm output and the development of an up-and down stream industry. But the output markets were supply driven. The fast growing population created more demand for food than the farmers were able to supply.

In addition to that the two big wars, fluctuating currencies , a lot of speculations and several agricultural crises made the farmers`lives very difficult.

So it took a long time with many ups and downs to change from a supply driven market to a demand driven market. It was difficult to accept that with the modernisation many jobs on and off farm became obsolete and the big move to the urban zones was unavoidable. It created, especially at the beginning, many bankruptceys until the farmers were able to manage a capital driven farm enterprise. It was not easy for the people to change from a closed society with strict rules to an open society, much more individualised and free to make their own choice how, where and with whom to live.

Therefore it took several decades until the advantages of the industrialised era were fully visible. And it took another few decades until the problems of industrialisation in agriculture became obvious and here we are:

Again at the crossroads between two eras: between the industrial and the post-industrial era. Therefore the question whether a multifunctional agricultural system is pure nostalgic or a forward looking policy is totally justified.

I think we can all agree that nowadays the agricultural sector is demand driven but not only that, also the demand has totally changed.

In the food production sector the question is no longer, whether we get enough food, the question is which kind of food we get. Not quantity, but safety and quality matters. And here again what quality means has also changed a lot.

It is not enough to provide safe food free from residues, at high hygienic standards. The consumers would also like to know where and how the food is produced. Which additives were used? Is it without GMO's? And so on and so forth.

An increasing number of consumers like to buy branded food, ethno food,-functional food enriched with vitamins or other food additives. The changed labourmarket with fully employed female workers lets the demand for preprepared food, fast food and instant meals grow.

We can also see demands for new agricultural produce coming up. We expect significant contributions from the agricultural sector to deal better with the climate change. Biomass production should replace parts of the energy resources. New plants should be introduced in the chemical and pharmaceutical industry. Natural fibres will be more and more used to replace plastics.

Another, maybe the biggest problem at the crossroads of our modern society is how to manage the negative effects of industrialisation in agriculture.

The increase in technology with all the modern machinery and equipment and the extensive use of chemicals made it possible for the first time ever to damage our environment heavily and irreversibly, to transform our landscapes into poor agro-industrial steppes, to contaminate our groundwater tables and our soils.

Therefore our wealth of the past, economically speaking our oversupply of water, landscapes and natural resources is nowadays at least partially at stake and no longer an automatic by-product of agricultural activities. This is fully realised and led to a fundamental criticism of modern agriculture. On top of all that the industrialised agricultural sector turned out to be an unsustainable concept, which cannot survive without major changes. These developments were also the starting point of the discussion about multifunctionality.

The first principle of this concept is to make sure that farmers satisfy all the demands of modern society, the changed consumer patterns and the interest of our citizens in a clean and healthy environment, in animal welfare friendly production systems and in the beauty of our landscapes.

The second principle is to use production methods which guarantee that also the successors on the farms can profit from the same quality of their resources and the society as a whole can enjoy the same quality of life in the country side. In other words we must respect the sustainability principle.

This brings me to the main question of today's meeting: How to make sure that all this is going to happen?

I am not here to teach the Norwegians what to do, because in some respect you could better teach us, but I can tell you, as an example, how we try to change our agricultural policy so that it meets our society's objectives.

A first consequence of our reforms is that agriculture represents now an industry that respects the ecosystem in which it works. Thanks to decoupling, support now depends on the level of commitment to long-term sustainability, no longer the level of production. Not only has it removed environmental damaging production incentives, but compulsory 'cross-compliance' has set obligatory food safety, environmental, plant health and animal welfare standards at a superior base level as well.

Reform also introduces an explicit requirement for farmers to maintain their land in good agricultural and environmental condition. In other words, the beauty of the landscapes has to be guaranteed by farming activities. What constitutes good agricultural practice in this respect?

- a. It covers the adoption of measures to ensure soil protection, including employing appropriate land management techniques for the local conditions;
- b. It deals with the preservation of organic matter in the soil;
- c. It focuses on safeguarding, and improving the soil structure; and finally
- d. It specifies a minimum level of soil maintenance, in order to avoid the deterioration of habitats.

Sustainable soil management and sustainable agriculture go hand in hand, and reform has brought us several steps closer to achieving both.

On top of that and this brings me to my second point, it has also steered the policy towards one in which value is measured not just in quantitative terms, but also in qualitative ones. Beyond raising the basic standards through cross-compliance, rural development support will also be boosted by modulation.

From 2007, once the full rate applies, this mechanism will enable us to shift some € 1.2 billion per year from the basic farm support to rural development, allowing us to cover new measures for the production, promotion and marketing of quality products, boost support to young farmers, and finance schemes to help our producers to meet the new standards.

In less favoured areas, where conservation becomes an issue not because of farming, but because of the possibility of not farming and land abandonment, support has also been reinforced by reform. These areas are home to some of our most valuable habitats, and where investment aids were offered under Agenda 2000 to support farmers in the important ecological and social role they play in these regions, 2003's reform increased the maximum amount of aid per hectare.

Similarly, the Natura 2000 programme has also received greater attention. Aid in areas with specific environmental constraints will, from now on, be targeted at specific requirements levelled in the Birds and Habitats Directives. Higher support levels will be available in justified

cases, and the maximum area eligible per Member State will no longer be limited to 10 %.

Afforestation too has grown from a small acorn into a large oak with successive reforms. Our agricultural policy now takes full account of the significant impact that forestry has on landscape and biodiversity, recognising the role it plays in reducing, and preventing, soil erosion. The CAP now supports forest improvements, encourages protective measures to be taken against forest fires, promotes the establishment of wind breaks, and specifically targets the maintenance, and reparation of, ecological stability in Europe's forests.

But ladies and gentlemen, the policy designs in CAP reform were not just about striking a balance between agriculture and the environment, or simply introducing new schemes, and improving old ones. It was also about realigning production with demand, providing consumers with a better choice, giving farmers the flexibility to diversify into different rural activities, and to decide 'how' to produce, as well as 'what' to produce.

And, by bringing down the old boundaries through decoupling, we've not only secured a more sustainable policy, we've also contributed to a far greater level of market orientation than before, linking production to demand, rather than subsidy. We have given back to our farmer's their entrepreneurial role.

So within the parameters of the framework now established, whilst we are able to universally guarantee that production is in line with some of the highest standards in the world, so too are we able to support, and recognise the value of a range of different farming practices.

Conservation agriculture (CA), precision farming, and organic production are all examples of this choice, and they are all examples of farming whose added value is recognised in the CAP's rubric, albeit not always specifically by name. Any method that focuses explicitly on the conservation aspect, favours the build-up of soil organic matter, enhances soil biodiversity, and reduces soil erosion, contamination and compaction, is of course eligible to benefit from the reinforced agri-environment support that reform has made available.

What reform has not done, however, is go beyond providing the clear institutional framework for sustainable farming. It does not allow us to, and nor should it, dictate the best solutions for national circumstances, which is where another element of choice comes into play: the issue of subsidiarity. Far too long we listened to the criticism that Brussels took too many decisions, at too great a distance, which is one of the underlying reasons why the finer details of reform, and then compilation of a comprehensive rural development plan, has been left to the discrepancy of the Member States.

Flexibility is the key to gaining the most from the CAP. Decision making further down the hierarchical ladder, involving local and re-

gional actors, is the only way we can target funds efficiently into regenerating and supporting specific problem areas; it is the only way in which we can be sure that we have a common policy that accounts for and serves the needs of farmers in 25 Member States.

Equally, I am sure that many of you are following the discussions over the future financing of EU's agriculture. And here too, we point towards a future in which agriculture, sustainability, and the environment are more closely linked.

We also foresee the introduction of a single rural development fund, bringing the two existing systems together, with the idea being that it will give this side of the policy an additional boost in transparency, coherency, and simplicity.

Sustainable development, citizens' interests, and reinforcing the EU's voice in global terms will be the overarching priorities of the package, and the proposals will allow us to fully cater for an enlarged EU. Full support for agriculture is maintained, albeit under a strict financial discipline and at a constant level until 2013. They also anticipate the necessary strengthening of our cohesion policy to secure growth, and boost competitiveness in regions that lag behind.

And it is by bringing the different policy areas closer together, that we will be able to bring the far flung corners of Europe together as well – in terms of quality of life, accessibility, sustainability, and in terms of

opportunity as well. This so-called Cohesion 'helps to spread the benefits' of Community policies. Post-enlargement, this need will be even stronger than before.

Ladies and gentlemen,

You now have a bit of a feeling how the EU tries to optimize the opportunities for a multifunctional and sustainable agricultural sector and how we are going to organise that farmers are paid for all their activities which are demanded by our society. But even if we are successful with our reformed policy, this doesn't mean that the future of our rural communities is guaranteed.

The younger generation of rural families requests similar quality of life comparable with the urban areas, expects the same social security, needs also high standards of infrastructure, a full health service, access to schools, leisure opportunities and many other things. But how can this be guaranteed when the population density is going down because of a lack of job opportunities and less and less entrepreneurs being prepared to invest in small centres and not only in the intensively populated urban areas.

Also this development has already started in the early days of industrialisation. We shall not forget that the leading principle of the industrial concept is the division of labour. This allows that the industry can specialise but this also requests short transport distances, good education, a variety of different labour skills and to manage more and more complex systems.

As a consequence the cities started growing and became urban zones densely populated and very attractive for the growing number of job-

less people on the countryside. The diversity of the villages started diminishing. The development was more and more lagging behind the centres. When in the sixties of the last century the post-war economic boom opened a new dimension of wealth in Europe increasing erosional effects in the form of pauperisation and depopulation of rural areas were observed.

In the beginning the possible negative effects for the countryside were almost ignored and the rural areas were seen as reservoirs for workers as supplement for leisure activities for urban people and as a natural resource waiting for an industrial use.

It was in the seventies of the last century when in central Europe the Mr. Lanner, an Austrian, started to speak about the so-called “Ländlicher Raum” or Rural areas, when the first regional policies were introduced and some governments began to establish rural development programs. In the beginning, the European Union Regional policy was very much limited to the poorer regions to give them a chance to beef up and to come closer to the average wealth of Europe.

In the 1999 I was able to persuade the European leaders that all rural areas must be part of an improved rural development policy, the second pillar as we call it. I argued that this was necessary, partly because all farmers should have access to support offered in the rural development programs and partly to compensate the disadvantages of rural life.

In the meantime it is almost common sense that the second pillar must be strengthened and that we need concepts how to deal with the threat of depopulation, with overaging, with the lack of job-opportunities and the weak infrastructure.

Europe's rural areas cover 90 % of its land therefore it is obvious that agriculture and forestry remain the backbone of the rural economy. But on the other hand without non-agricultural activities, without job diversification and new investments in the smaller rural centres it will be impossible to keep Europe's population in these areas.

The problems and challenges to be addressed by rural development policy can therefore be summarised as follows:

- Economical: Rural areas have a significantly lower income than the average, a faster ageing working population because of the move to the urban zones and a greater dependency on the primary sector.
- Social: There is clear evidence of higher unemployment in rural areas. Low population density and depopulation in some areas increase the risk of poor access to basic services, of social exclusion or a narrow range of employment options.
- Environmental: The need to ensure that farmers get opportunities to do more in respect of the maintenance of the landscapes, the conservation of the nature, the protection of the environment than what is requested in the cross compliance rules.

The EU's rural development policy follows the overall orientations for a sustainable and more competitive development, laid down in the so-called Lisbon Strategy. Lisbon set the target of making the European Union the most competitive knowledge-based economy in the world by keeping high social standards, protecting the environment and achieving a more sustainable development. Our policy must embed agriculture and forestry in a diversified rural economy and contribute to the socioeconomic fabric of rural areas.

We have therefore hammered out the following major objectives for the future of our rural development policy:

- We want to increase the innovation and competitiveness of rural entrepreneurs;
- We would like to enhance the environment and the countryside through support for land management;
- We plan to improve the quality of life in rural areas and to promote diversification of economic activities through measures targeting both the farm sector and the other rural actors;
- We also would like to reduce the administrative burden in the rural policy sector by introducing a single funding and programming framework;
- More emphasis should be given to reinforced monitoring and evaluation to ensure absolute transparency and accountability for the use of community money;

- The member states should have more freedom in how they wish to implement their programmes;
- Stakeholder consultation about the design, implementation and evaluation of the programmes, the realisation of a bottom up approach, the exchange of best-practices and networking will help to ensure a structured dialogue between the involved institutions and amongst the stakeholders and participants in the programmes;
- Local action groups taking rural initiatives should get the opportunity to participate in all parts of the programmes.

All these objectives are in the meantime broadly accepted amongst the old and new member states, but the size of the financial package available to the rural development policy is still under discussion.

Ladies and gentlemen,

Let me conclude:

- The countryside with its natural resources, with its diverse and beautiful landscapes with its traditions and multiple structures, with its own cultural heritage and lifestyle is a crucial part of our European richness and especially in Norway even the symbol for your identity.
- The industrialisation, the use of modern agricultural production techniques, the loss of attraction and the increasingly difficult living conditions created many challenges and risks for both the

agricultural sector as the backbone of the countryside and the rural areas as a whole.

- But still more than half of Europe's population live in rural areas, which cover 90 % of the territory.
- To preserve the values of our landscapes, to meet the demands of our modern society it is vital to continue a multifunctional and sustainable concept of agriculture.
- We must give back to the farmers their role as entrepreneurs and make sure that each of the multiple functions of the farm sector is paid. The farmers must improve their competitiveness, the society must give better guarantees that farmers are also paid for the public services they provide.
- Such an economic system doesn't distort the international trade and must therefore be accepted in the WTO.
- Agricultural policy limited to a sectoral policy can no longer satisfy the need of our rural societies. An integrated multifaceted rural development is needed.
- A modern rural development policy must increase the competitiveness of the economic activities in the countryside and must attract investors especially in crafts, services and small and medium sized enterprises. It must also improve the infrastructure and allow comparable living conditions for rural people. Finally it must enhance the environment and countryside through support of land management.

Sustainable development, citizen's interests and reinforcing the voice of the countrymen and –women will be the overall priorities. We must strengthen the cohesion to reduce the huge differences in Europe's regions for reasons of solidarity and to avoid a total breakdown of the poorer regions. For all these reasons reforms must continue, but in a way that we can stimulate the courage of people and give them confidence in our political framework.

Thank you for your attention!