



DECLARATION

“The COMPETITIVE Model of European Agriculture – a new approach by Young Farmers”

As a result of the CEJA seminar in Odense, Denmark, from 7-10 February 2008 on “Ensuring the competitiveness of Young Farmers – How the future CAP can help” the European Council of Young Farmers declares the following

Introduction

The situation of the agricultural sector has fundamentally changed over the last years. For the European Commission, market instruments that were set up in times of “milk lakes” and “butter mountains” are often outdated and therefore modified or gradually abandoned. With the last CAP reforms changes can already be felt: The set-aside instrument is suspended, farm payments have mostly become decoupled to allow for greater competition on a free market, the fruit & vegetable sector as well as the wine sector have been reformed in order to be more open to the market and milk quotas as an instrument of market regulation will phase out until 2015.

For CEJA, the European Council of Young Farmers, a new agricultural policy has to be defined if European young farmers want to meet the challenges of agriculture in the future. At the seminar in Denmark, CEJA gave young farmers from all over Europe the possibility to discuss crucial issues around competitiveness and open up for an exchange on elements that are important for young farmers in the future CAP. CEJA wishes young farmers to look further into the future and focus on being more competitive when they start their agri-enterprises, without forgetting their vital multifunctional role in providing social and environmental services. **It is therefore time to think of the challenges and opportunities of a new agricultural policy and develop concrete ideas on how to put up with increasing demands of the society and accelerated competition on a free world market.**

Background information

Competitiveness is a comparative concept of the ability and performance of a firm, sub-sector or country to sell and supply goods and/or services in a given market.¹ For private businesses, competitiveness is the ability to provide products and services more effectively and efficiently than the relevant competitors. In the traded sector, this means sustained success in markets. Although transportation costs might allow firms from a nation to compete successfully in their home market or in adjacent markets, competitiveness usually refers to advantage obtained through superior productivity. In the traded sector, performance in the international marketplace provides a direct measure of the firm's competitiveness. In the non-traded sector, competitiveness is the ability to match or beat the world's best firms in cost and quality of goods or services. Measuring competitiveness in the non-traded sector is often difficult, since there is no direct market performance test.²

It is difficult to apply competitiveness as defined above to the agricultural sector because farming is a trade sector with many differences compared to any other industry. It is the task of agriculture to respond to primary needs of the society – food – but also to take care of the environment and the landscape, and hereby contributing in a special way to the sustainable development of our rural areas. It therefore needs special political attention through a future oriented policy and a security system or safety net, as well as financial support in order to develop competitive agri-enterprises and to keep on playing its multifunctional role in EU territories.

1. Globalisation and international competition

The world is growing smaller and international competition has become fiercer than ever before. Lower costs for transportation and communication, reduced trade barriers, and the spread of technology have combined to sharpen international competition. This competition has put unprecedented pressure on all economic actors, including management, labour, and government. WTO negotiations are continuing in spite of many obstacles, and trade barriers seem to fall more and more. **In this context, young farmers strive for a new European framework that allows for sustainable food resources in Europe while promoting the development of fair and free agricultural trade (including health standards, environmental criteria, social aspects, animal welfare etc.) throughout the world. We, as European young farmers feel that it should be an objective for European agriculture to be competitive in the local and global market.** However, the European Union must bring its model at the heart of WTO negotiations and create better conditions for international trade agreements. The aim of the EU must be to create new opportunities for a fair and free trade in the world. In the long run, the same transparent rules should be valid for all farmers on this planet. **It is unfair that European producers are affected by the competition with other countries which do not respect the same level of health, social and environmental standards as the EU. If Europe decides to offer its consumers and citizens a high level of food safety and quality, this must be recognised by the WTO and included in the trade negotiations.**

¹ Wikipedia

² www.competitiveness.org

2. Europe and Competitiveness

The Lisbon European Council of March 2000 set the objective of making Europe the most competitive and dynamic knowledge-based economy in the world by the year 2010. By strongly and firmly placing competitiveness at the heart of the European political agenda, the 'Lisbon process' aims at making Europe a more attractive place to invest, by boosting the entrepreneurial initiative and creating a productive environment where innovation capacity can grow and develop. Lately, the European Commission's budget for innovation has become the second largest budget. Along this line, a new programme that is supposed to boost Europe's competitiveness and innovation has been launched, which shall run from 2007 until 2013.

Considering the great challenges and opportunities of world competition, CEJA finds it important to increase synergies between the different Member States and harmonize production conditions throughout Europe in order to be more productive on a global level.

One possible approach of dealing with increasing competition could be to give up production in areas that are not competitive and let the market decide. However, this could lead to desertification in different regions of Europe and not to the diversity of productions that is typical for our European agricultural model. This value added needs to be maintained in all European countries, avoiding homologation and standardisation.

Furthermore, less favoured areas need special support in order to preserve their fundamental role in preserving biodiversity and protecting the environment. If we wish agricultural activity to continue in disadvantaged areas they can not be left to the free market alone and we have to recognise these common goods that the market is not able to pay for. Such regions are important as providers of public services where these are necessary but difficult to realise (assistance to children or older people) and as destinations for agri-tourism which, in exchange, contributes to European economic activities and social development and therefore to its sustainable competitiveness, in respect of the Lisbon strategy.

In general, we can say that in a time where the demand for food is constantly increasing and where the multifunctional characteristics of agriculture are growing with ever more services provided by the farmer, European agriculture offers great opportunities for competitiveness on a global level. We therefore need all different types of agriculture in order to meet the new challenges of a competitive European agriculture.

3. Agriculture and Competition – challenges and opportunities for young farmers

The European agricultural sector is of strategic importance for the European economy and not only as a tool to reach the Lisbon goals but also to follow the Gothenburg strategy on sustainable development. In context with the Lisbon strategy, agriculture can respond to the need to support the economic performance of rural areas that are still lagging behind urban areas. It is a fact that a part of the European food chain is becoming more and more delocalised, losing any link with the territory. We can observe a dramatic concentration of the retailing and processing sector over the last two decades, with a few firms in each country controlling most of the market.

The risk is that global competition is won by those who produce the least sustainable and therefore the ones who have the lowest costs on the short term, maybe thanks to social or environmental dumping. This cannot be accepted by European citizens or institutions. But the actual situation allows for such a terrible evolution of our economy, because of a dangerous lack of transparency.

Young agri-entrepreneurs want to play their part in counteracting these tendencies. They want to communicate the unique link between food products and the territory they were produced on, hereby helping consumers to make a conscious choice of what they want to buy and, at the same time, answering their questions.

In the ongoing debate around climate change and sustainability - which is one of the great issues, together with the development of local markets - agriculture can help avoiding long distance transport which is the main cause for CO2 emissions. Agriculture therefore also plays an important role in the Gothenburg strategy that stands for sustainable development.

Even though we think it necessary to develop farmers' competitiveness and make them more independent from subsidies in the long run, we would like to underline that **a strong agriculture policy will still be needed** but on a different basis. A clear framework for the future is important **to encourage young farmers to enter the sector and to invest in production facilities in order to introduce continuous innovation in agriculture which will, in return, assure competitiveness.** It is important for young farmers to be able to plan ahead and make investments on a long-term basis. Therefore, they need a CAP that assures predictability, where the overall legislations, rules, payments and other conditions are known for the entire period 2013-2020.

This becomes more and more important considering the new challenges of food security deriving from the changing global context, characterized by an increase in food demand and food prices. Europe can not allow losing its agricultural sector because it offers secure and high quality food, it protects the environment and it plays an important social role in rural areas. The question is: Is this CAP able to support this kind of farming? If not, more and more people will leave the sector, rural areas will become deserted and Europe will depend on other parts of the world for the supply of food, with all consequent problems in terms of expenses and food security.

Last but not least, the many services a farmer provides to society nowadays need to be rewarded in an adequate manner. European social standards, as well as those protecting the environment, biodiversity and animal welfare are high and European food production is becoming more and more expensive. It is unrealistic to expect that farmers can produce high quality at any price. They need to be paid adequately for their work. If this is not the case, less people will enter the sector and production will fall. This will, in consequence, cause problems in a time where food demand is increasing and global food safety needs to be assured. **A future CAP should therefore make sure to take into account multifunctionality and its different aspects, with particular regard to the special services European farmers are providing to society in comparison to less sustainable production in many other parts of the world.**

4. Instruments and tools for increasing young farmers' competitiveness

➤ Cooperation between farmers, stakeholders and institutions

If we wish to keep the European small farming structure which is linked to its territory and keeps rural areas alive, while avoiding that the entire agriculture sector concentrates on large scale production and huge farms, we need to assure collaboration between all farmers in order to create a better and different relationship as well as contractual power that increases the share of the added value for the farmer. Cooperatives and other forms of collaboration between the actors of the food chain are a good way of improving their

situation by allowing them to control the processing and sale of their products. Transnational entities could provide one way of adapting to market globalisation and producer organisations could assist small farms to gain a better position on the market. Even more than that: producer organisations, if they are well managed, can be real partners for the food industry.

CEJA therefore suggests developing a clear strategy for a new and sustainable partnership of all actors in the agri-food sector. The objective of this partnership is to increase competitiveness. One element of this new partnership should include a permanent task force bringing together all stakeholders from the agro-food chain, including young farmers.

On institutional level, CEJA requests the different Directorate Generals of the European Commission to begin discussions on the setting-up of such a task force as soon as possible. It is important that the different DGs with common objectives that are linked to the agricultural sector work closer together on these matters to assure a better and more effective collaboration.

➤ **New tools for managing risks and crisis in the agricultural sector**³

For CEJA it is necessary to have an efficient internal market in the future in order to make European Agriculture competitive. Therefore, CEJA asks the European Commission for a clear idea about a future system with common market rules that allow farmers to organize themselves. These rules must guarantee food safety and food security as well as transparency and therefore reasonable prices for the consumer and more development possibilities – and income – for young farmers.

For meeting the new challenges of the 21st century, young farmers need new and innovative market instruments to manage risks and crisis in agriculture. Such instruments will contribute to assure regular European food supply in the common interests of consumers and producers.

CEJA therefore wishes that real measures of crisis management are developed and set up in the context of the Health Check. These management tools can serve as a complementation to other market instruments. CEJA underlines the necessity for a realistic budget to set up Risk Management Schemes in all Member States.

➤ **Promotion and Marketing projects**

CEJA believes it necessary to put into place a real European promotion policy for European agricultural products, both for exports and for the internal market. This policy should allow for recognition of European social and environmental standards as well as issues such as animal welfare or public services offered by the farmer on an international level. Marketing and promotion needs to be encouraged for the entire agriculture sector and organized at all levels. Different young farmers' organisations have started interesting promotion campaigns on agriculture and its image in society. Another possibility of promoting agriculture is using the internet for e-commerce. Young farmers can, for example, establish a website to promote regional quality products. By informing consumers about the production methods and the people involved they are reassured

³ See the CEJA declaration on the CAP Health Check agreed upon by CEJA members during the seminar "The CAP "Health Check" and the agricultural budget: Stimulating for Young Farmers?" that was held from the 30th of November to the 1st of December in Dobrna, Slovenia.

about the high quality of these traditional goods. The labelling system for PDO⁴ and PGI⁵ products indicates the traditional nature of the production and the use of a website for marketing allows for better understanding between young farmers and consumers and increases attraction to local products.

➤ **Labelling and European preference**

Labelling provides the consumer with better information, as the EU legislation recognises. The indication of origin is not only compatible with EU rules, but also with WTO negotiations. The connection between people and places needs to be re-established and the concept of quality deepened rather than widened. **CEJA is therefore in favour of a label that indicates the origin of products and links them to the territory they were produced on. This would show the diversities in the production in a market-oriented approach.** Furthermore, a local consortium consisting of consumers, farmers, and retailers could be set up in order to promote local and regional food consumption. This consortium should also meet with researchers and trend makers to develop a concrete proposal on how to face globalisation.

➤ **Free trade and the issue of transparency in the market**

In a globalised world, any product imported from other countries and transformed in Europe can be called European. **This is not fair towards consumers and CEJA therefore stresses the importance of indicating the origin of all agricultural products, as well as the origin of all ingredients of transformed products, in order to create a situation of transparency – for the consumer and the producer.** The solution to this problem is rather easy and does not even cost money. All that European young farmers are asking for are clearer market regulations, going hand in hand with a new third pillar of the CAP reform: transparency. In CEJA, we believe that the origin of products therefore needs to be indicated and the product hereby linked to the territory it was produced on. This will also support the dynamics of local and regional development. **The CAP therefore needs transparency in order to assure free and fair competitiveness on internal and external markets.**

➤ **A stronger link between the research and the agricultural sector and reinforcing possibilities for training and counselling**

A stronger link to the research sector will be necessary for being more competitive in agriculture. Up to today, the scientific, theoretical approach to farming problems and the practical agriculture sector are often too far away from each other. Results from researchers do not arrive at the farm gate and, on the other hand, researchers are often not aware of the real needs of the farming sector because they do not receive the necessary feedback. CEJA believes that collaboration between the two sectors should be intensified to make EU agriculture more attractive and competitive on the global market. CEJA asks for intensification of the harmonization of research within the European Union as well as the harmonization of the acceptance and the use of the results.⁶

Young farmers should have more possibilities of preparing themselves to the new challenges through training possibilities and advisory services. These services should be independent and easily accessible to all young farmers. They need to be financed through a combination of public and private funding.

⁴ Protected Designation of Origin

⁵ Protected Geographical Indication

⁶ Cf. CEJA declaration on Health Check from November 2007.

➤ **Access to credits for young farmers**

Young farmers need new tools when they set up in farming. Appropriate instruments could be developed in line with systems that already exist in some countries, such as, for example, investment capital premiums, state guaranteed covered bonds and interest subsidies. These tools should be strengthened and applied on European level.

5. Conclusion

In this declaration young farmers have tried to give a first outlook of the expectations and visions of a future agriculture policy and the future of European farming in general with special regard to competitiveness and its political tools.

The ideas presented will be further developed in discussions, working groups and seminars. One of the crucial elements of our position will always be to not only look into the future for the next two or three years, as many policy makers are doing, but to look into the next twenty to thirty years or even further.

Moreover, any agricultural policy and any tool will have to focus on competitiveness and sustainability as the two fundamental elements of a vital agri-enterprise operating in a vital rural area. It is therefore clear that a CAP must be future oriented and should not pay people because of what they were doing ten years ago!

We are also asking for a more finalized CAP, supporting those active agri-enterprises that are willing to invest in farming, in order to face the challenges of the market.

We finally remind that less favoured areas need special attention, even if competitiveness in these regions is not as high as elsewhere, because they are playing a fundamental role in land management, protection of the environment and in maintaining vital rural areas.

Young farmers have got a clear picture of what agriculture should look like and want to share this view with other institutions or organisations working on the same subject in order to reinforce the collaboration we have been talking about above.