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TOWARDS A NEW DEVELOPMENT STRATEGY FOR THE SERBIAN AGRO-ECONOMY

Subotica, October 11-13, 2012

DIRECTIONS FOR THE COMMON AGRICULTURAL POLICY REFORM AND AGRO-ECONOMY TRANSITION IN THE EUROPEAN UNION COUNTRIES

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- The Common Agricultural Policy, is the European Union policy of which the overall objectives are to ensure a fair standard of living for farmers and to provide a stable and safe food supply at affordable prices for consumers. It has evolved a lot since it began in 1962. Today, its priorities are to: ensure food quality and safety; protect the environment and animal welfare; make European Union farmers competitive globally without distorting world trade; preserve rural communities and boost their dynamism and sustainability.
- To look back over the CAP of old - the policy, being one of the oldest policies of the European Union, has evolved over time and has been reformed on several occasions particularly in the last decade and a half. While there have been many critics it has stood the test of time and adapted with the changing times.
- The current debate on the reform of the CAP is all the more important now given the many challenges we face. Looking to the future and what the new CAP after 2013 may bring we have to consider way to address the challenges facing agriculture as we move towards 2020.

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- Public consultation on the next CAP started over two years ago. The Commission engaged in open debate, in order to craft a new policy that meets the – somewhat conflicting - concerns of Europe's farmers, governments, NGO's, business, and the wider public. The legislative proposals, unveiled on 12 October last year were also preceded by a substantial impact assessment looking at the impact on farming, on the environment, and on the rural fabric, of different options for change.
- The Impact Assessment of the CAP reform identified three broad areas – economic, environmental and social. On the economic front increasing price volatility, coupled with a slowdown in productivity and uneven distribution in the food supply chain puts increasing pressure on farm profitability. Agriculture today faces a global deterioration in terms of trade, expressed during the recent price boom period 2004-2011 by an average level in world agriculture price increase of 60% from its level in 1986-2003, as compared to energy and fertilizer prices increase representing 240% and 180% respectively.

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- On environmental aspects, intensification of production, changing land use patterns and abandonment or under-management of land affects the environmental sustainability of agriculture. The CAP needs to address these challenges by better integrating its objectives with other EU policies on issues such as biodiversity, reduction of greenhouse gases and climate actions.
- The CAP must continue to contribute to the territorial balance of agricultural production across the EU. This role is particularly important through the creation of economic activities in rural areas supporting indirectly the wider rural community, schools, local business, etc.
- And finally the next CAP must be simpler to apply.
- The public have shown clearly in the consultation process that they value and want to maintain a Common Agricultural Policy, one that gives direction that ensures a living for farmers, that provides food security and food quality, that ensures good stewardship of land and the environment and that maintains rural populations.

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- How then will the next CAP address these three broad challenges? Its objectives will be aligned to those of Europe 2020, which is the flagship EU strategy for the next decade.
- The key points of the reform include better targeted income support in order to stimulate growth and employment; this includes a fairer redistribution between member states as well as within member states. Member states would have the flexibility to implement a regional model of support.
- Greening is an integral part of the proposals not only that farmers respect mandatory measures linked to soil, carbon and biodiversity but also a series of measures that aim at making greening much more linked to the specific challenges facing European agriculture from climate change adaptation and mitigation to the adoption of innovations.

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- The proposal foresees a significant boost in agricultural research and innovation, and improved knowledge transfer through a mandatory farm advisory system in an effort to reverse the negative trends of the past which have resulted slowdown of productivity growth. To strengthen the bargaining position of farmers, the Commission also proposes to support producer organisations and promote short marketing chains between producers and consumers (without too many intermediaries).
- So to summarise, the new CAP – will be an agricultural policy that is more competitive; that is more sustainable both in terms of environment and territorial balance, and that is more effective and value for money. The proposals are designed to reinforce the competitiveness of EU farmers, enabling them to better take advantage of export opportunities.
- It can be said that the new proposals reflect the reality, not just for the EU but for world agriculture. In a world characterised by so many complex interacting factors affecting the food sector, it is not a single isolated measures but a set of policy instruments all targeting in a coherent way specific and transparent objectives that maximise CAP efficiency and justify its funding.

TURNING TO SERBIA's perspective

- Serbia is now a candidate country. This is a firm step on the path towards accession to the EU. Joining the European Union is often compared to getting on board a train that is constantly moving. However, even though in the agricultural sector there is the ongoing evolution of CAP that I have described, the CAP above all provides stability and a medium to long term framework for the government and the farm sector, because even though there are changes in the new CAP, there is also continuity in terms of the two pillar approach and in terms of the way in which support is provided.
- Agriculture is a very important sector in Serbia with it being one of the most important economic activities. A large proportion of your people live in rural areas and around one third of the active population rely wholly or partly on agriculture for their livelihood. Agriculture represents around 12% (2011) of your GDP. The EU's agricultural economy will therefore be greatly boosted and expanded by Serbia's accession.

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- The CAP will bring stability of agricultural policy enabling better planning and predictability of the outcomes of prior production decisions. An enlarged EU market will bring many possibilities for farmers and agri-food businesses. Operators in Serbia will sell their products to more customers (over 500million) - a niche quality markets in the EU where demand for value added products in particular with a quality certification (either organic farming or products with a geographical indication) is high.
- Looking beyond the internal EU market, enlargement will big opportunities in terms of access to international markets for your exporters. A large number of countries and regions of the world are already part of Free Trade Agreements with the EU, in total 1.3 billion people (i.e. 20% of the world's population) and this will continue to grow with ambitious FTAs currently under negotiation representing another 1.6 billion people (23%). Serbia can certainly see the advantages of this growing preferential market access opportunity.

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- Serbian agriculture has potential – your fruit and vegetable sector for example. The high quality and the quantity of Serbian fruits production together with the growing international market demand for these products highlight its significance. The livestock and meat sector is another area with possibilities. To develop potential, investment is needed. EU funding to agriculture and rural development under pre-accession assistance (IPARD) can provide opportunities for small and medium enterprises to modernise and upgrade to EU standards.
- But Serbia must make best use of the opportunities available. Invest now for the future! Timing is important. To ensure full benefit and proper absorption of EU pre-accession funds Serbia must have the necessary structures and resources in place (IPARD Agency, Managing Authority, Audit Authority). I am aware that some efforts in this respect are underway but momentum should be stepped-up. Beneficiaries too will need to be well informed and prepared to be part of the process.

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- The effects of the previous enlargement for the agricultural sector are encouraging. In most new Member States, positive developments and new opportunities outweigh the challenges and costs of full integration into the single market. Integration into the Common Agriculture Policy took place without the major difficulties predicted by certain experts.
- It cannot be repeated often enough: a timely preparation for EU accession is the key for a successful integration. We know that there are key issues affecting the enlargement process. The EU can help to tackle the challenges but the prime responsibility remains with the countries concerned. The enlargement countries are the “pilots” “drivers” and determine the destination and speed of European integration. The decision to make Serbia a candidate country should provide a big boost and a big incentive for Serbia to intensify its CAP alignment.

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- Two aspects of alignment with CAP are particularly important to underline: (1) building the institutions needed for handling and checking CAP payments. (2) aligning support systems in due time before accession. Setting up the necessary structures to be able to administer CAP payments involves considerable personnel resources and administrative procedures. Aligning (support) systems before accession is important to ensure farmers are well prepared and informed on the systems and schemes operating in the EU. It is only if the systems are in place, and farmers are aware of them, that they can benefit from the considerable level of support that the CAP – and currently IPARD – can bring to help their holdings become more competitive and modern.
- Progressive trade liberalisation with the EU and within the region is equally important to permit a smooth EU integration process. We have seen recently, in the framework of difficult situations, temptations to put certain free trade provisions into question, for example export bans. This should be avoided, protectionist trade measures can jeopardise overall world security by affecting the correct-functioning of agricultural markets.

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- Directly linked to trade and the development of agricultural sector are food safety standards. To benefit from the single market, the products produced in Serbia need to comply with the EU standards. It takes time to upgrade farms and food establishments. It can be difficult to persuade farmers to accept costs linked to new policies and rules but again, the EU can provide support with the IPARD funds and compliance ensures that Serbian exporters can compete on the EU and other markets.
- Finally, a major challenge is without any doubt, an uncertain accession date. It is not easy under these conditions to keep speed and track of the accession process. Motivation for EU accession is needed. Therefore, good communication with farmer associations, etc is paramount for ensuring a support of stakeholders. The speed of accession depends on the progress made in fulfilling the condition of EU membership.
- Thank you for your attention. I look forward to hearing your views here today.