

## AGRA FOCUS Interview with Helir-Valdor Seeder

*This month's Interview on the future of EU farm policy is with the Estonian Farm Minister Helir-Valdor Seeder. As probably the most liberal of all of the New Member States in its attitude to public agriculture policy, Estonia is not representative of the countries that joined the EU in 2004 (or 2007) - other than in its call for uniform aid across the EU based on area, rather than on historic receipts - but Seeder's contribution to last month's Informal Council debate in Annecy on the future of the CAP underlined that the government in Tallinn is about the only NMS government with a clear and concrete concept for how policy should evolve.*

**AGRA FOCUS:** *Can we start by asking you to summarise the situation of Estonian agriculture in a few sentences?*

**Helir-Valdor Seeder:** Agriculture in Estonia has changed much in recent years, and is still in transition. Agricultural land reforms are now in their end-phase, as our orientation must be changed from looking east to looking west. Production volumes have fallen in the last 10-15 years, but our agriculture has changed and is now more quality-driven and competitive than before.

Our most important sectors are milk and livestock production, but also cereals. In structural terms, the sector is polarized between a few very big farms, which are well-structured, market-driven and efficient and therefore highly competitive – and a huge number of small private farms, which are often restituted from old family holdings, and now they are trying to survive, but they have small structures and are not very competitive.

In general, these difficult times for Estonian farmers are more or less over. And we hope to be in the same position as the “Old” Member States in 10-15 years time – although this also will depend on the evolution of the CAP.

**AF:** *And what can you say about the first five years of EU membership?*

**HVS:** Well the biggest change has of course been the free access to the EU market, and the higher market prices that we have seen. But at the same stage there has been a period of very painful, but necessary change – for example in order to meet EU veterinary and hygiene standards – which has raised overall quality levels. From a farmer perspective of course, the most popular aspect is the direct aid, which farmers have capitalised. Previously there was too little investment and the sector was totally under-capitalised.

**AF:** *Clearly this is a very sensitive moment in the Health Check negotiations, but what do you feel are the most important things that must emerge from a deal in November?*

**HVS:** Well the first thing is the equalisation of policy for the “Old” and the “New” Member States. The concept of modulation is a cornerstone of the reform, and the need to address the “New Challenges” through Rural Development policy is very important. But these should be tools available for all Member States.

The move towards full decoupling is also important, and we must ensure that the Article 68 measures do not lead to more “coupling” of payments.

**AF:** *So turning then to the longer-term future of the CAP, after 2013. It seems that in Annecy, when the Informal Farm Council debated the post-2013 CAP, you were one of the few Ministers that outlined a relatively concrete concept for the future evolution of policy. We would be interested in hearing about this Estonian vision. Perhaps we could start by asking about your idea for the future evolution of the system of direct aids?*

**HVS:** While the CAP has been reformed considerably in recent years, we take the position that the steps made so far are not sufficient to conclude that the European agriculture is ready for new, future challenges. Estonia believes strongly that, compared to today, we need a significantly reformed CAP for the next Financial Perspectives! The most fundamental problem in the current CAP, which needs solving, is connected to the current direct aid system. I would even say that we are dealing with an ideological crisis here. In other words, it could be said that the system of direct aid today is innovative in its form – carrying the ideology of cross-compliance and the slogan *freedom to farm* - but in practice it is the factual continuation of the 1992 Mac Sharry reform where farmers were compensated for the internal market price drop. In order to ensure the acceptability of the CAP in the longer perspective, we have to create a new content to direct aid, both ideologically and economically, and agree on the goals.

Our proposal would be to work out a **common system of direct aids with different layers** for the future, comprising a base payment for all farmers, but then additional, more targeted payments. The main point is that these payments should be common, and financed from a common budget. The more exceptions you introduce, the more distortions of competition you have. If we allow every country to take account of individual differences, then we will have 27 different CAPs. And that is not our aim.

With “**base payments**”, I mean an EU-wide payment to compensate for the EU enforced standards, which are higher from the world market. This payment could be proportional to hectares, in order to cover minimal land management costs. Additionally, the base payment could differentiate, for example, between permanent grasslands and agricultural land in crop rotation.

**AF:** *What level should the payment be? DG AGRI figures extrapolated from current payments, show that the EU average is more than €300 per hectare, but the average in the 12 New Member States is less than 200 €/ha and the rate in Estonia is set to reach less than 120 €/ha.*

**HVS:** The financial discussion is very complicated, and not up to us in the Farm Council, but to heads of government. But the key point is that the system should be transparent and equal for all.

**AF:** *What about the more targeted payments that you mentioned?*

**HVS:** Yes, here we could see a system of **Less Favoured Area (LFA) payments** – a defined payment on EU or regional level to less favoured areas, keeping in mind here the regions comprising Member States with similar weather or geographical conditions. In other words, these natural rather than political criteria might group together parts of different Member States. A further option would be some form of **payment arising from supplementary environmental restrictions** – e.g. for agricultural producers managing on nitrate sensitive and *NATURA* areas.

Definitely, the direct aid system should ensure the preservation of agricultural landscapes and keeping the agricultural landscape in good condition in all the climatically appropriate regions of the EU. This is still just an example of a possible new direct aid system, which definitely requires an in-depth analysis and a thorough debate both within the Commission, and at Council level. Considering the timeframe, I would propose to start this internal Commission analysis in the near future.

**AF:** *And market measures?*

**HVS:** I am convinced that the steps we have taken at EU level to decrease the effect of agriculture intervention mechanisms have been steps in the right direction. However, we have to take into account the fact that prices will become more and more volatile. Therefore, we find that it is necessary to create one universal intervention mechanism, which would enable the EU to decrease the negative effects of extreme temporary price drops to the sector. But the key here is that the mechanism is only triggered in times of crisis, and not permanently open.

**AF:** *And environmental considerations?*

**HVS:** Well they are already part of the policy, and must remain a cornerstone in future. It is the environmental considerations in particular that make European agricultural production more expensive, and therefore justify much of the subsidy.

**AF:** *And Rural Development?*

**HVS:** In terms of Rural Development, we see the future as a Common Rural Policy, open to entrepreneurs and others in rural areas. It should not be a cartel for the farmers club. Bringing in the broader rural population makes the policy easier to understand. It is clear that the rural development policy implemented in the framework of the CAP today does not ensure a comprehensive development of rural areas as a whole. In this sense, we should think about incorporating some of the EU regional policy functions into the policy – but also some of the EU regional development funds.

Still, I am convinced that the three priorities of the current rural development policy – increasing competitiveness, environment & land management, and diversification – will be important also during the next programming period and it is obvious that the liberalisation of [1<sup>st</sup> pillar] agricultural policy brings about the need to contribute more than so far for improving competitiveness [Axis 1] and environmental programmes [Axis 2]. Even though we are still in the first stages of implementing 2007 – 2013 Rural Development schemes, I dare to believe that both developing national rural networks, as well as the LEADER approach should be a definite part in our future vision of the Common Agricultural Policy.

**AF:** *What about the inclusion of Research & Development?*

**HVS:** Yes, innovation is an important issue which needs to be included, perhaps as a separate, independent component. The coherence of business with base and applied sciences and also agriculture has to be improved.

**AF:** *What about the link between agriculture & energy?*

**HVS:** That is more difficult. Yes, we must discuss the problem of food and energy production in more detail. We must ask how much public support should come from the CAP, especially at the current time when we are in transition from 1<sup>st</sup> to 2<sup>nd</sup> generation biofuels.

**AF:** *What about the role of the CAP to provide food for the poor – within the EU (under the Aid for the Needy scheme) or for the developing world (under the proposed €1 billion “facility” of “unspent” CAP funds)?*

**HVS:** As far as the Aid for the Needy scheme is concerned, the existing rules were based on large volumes of stocks available from intervention or private storage. That was clearly part of the CAP. Now that stocks have been removed, however, the proposal for the new scheme is moving much more towards a social policy – as it should.

For humanitarian aid, I think one of the most important things about the proposed “facility” is that it moves assistance more and more towards a form of technology aid, rather than just food aid – which is clearly a preferable policy direction.

**AF:** *Our final question is about the need to co-finance 1<sup>st</sup> Pillar measures?*

**HVS:** We say no to 1<sup>st</sup> Pillar co-funding. At the same time, there is a need to maintain state aid rules, as these will probably still be necessary. Having said that, it is vital to avoid unequal competition, and state aid rules should therefore be transparent with limits set as low as possible.