

# WHY THE MARKET CANNOT ROAM FREE IN EU FIELDS

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*The EU is often criticised for the breadth and complexity of its Agricultural programmes, however in this essay Aisling Kirby presents a strong argument in favour of the EU's involvement in this market. The Agricultural sector currently faces two main challenges; moving to a more environmentally mode of operation and securing future food supply for an increasingly urbanised population. She argues that the unique challenges facing the agricultural industry, as well as its vital importance, necessitate centralised decision making by the EU.*

## **Introduction**

Europe's record as an Agricultural economy is impressive. There are currently 12 million full-time farmers within the EU-translating into 46 million jobs for the agri-food industry (European Commission, 2013). The new Common Agricultural Policy (CAP) and Europe's expanding dairy sector in a post-quota era illustrate the growth of a sector driven by centralised decision making. This essay seeks to provide reasoning as to why a *laissez faire* approach cannot be adopted for this 'distinct sector' (O'Hagan and Newman, 2014). The market's inability to protect the environment and the necessity of ensuring a secure and safe supply of food means it is essential to have a common set of policies in place. In addition, a centralised approach promotes the development of rural areas, often ignored by the market.

## **Environment**

Increasingly severe climate change requires a European approach be favoured over national decision making. If left in the hands of individual member states the progress needed to deal with the 'major threat' that the UN have warned climate change poses will not be achieved (UN, 2015). The environmental issues that can only be adequately addressed at an EU level are many and varied. In the case of agriculture switching to a more environmentally sustainable model of farming creates short term profitability limits and must therefore be incentivised. Increased unit production costs and lower yields have meant that only a small proportion of Europe's farming community have transformed their farm enterprises to become more environmentally friendly. However the existence of past

schemes like REPs have allowed a greater emphasis to be placed on the conservation of natural features and permitted farmers to operate in a more sustainable manner while remaining viable. Under CAP reforms the new 'Green Payment' will continue to support these initiatives. Without centralised EU decision making increases in productivity would continue to overshadow the need for greater environmental responsibility.

## **Weather**

Adverse and extreme weather conditions are already hampering Europe's agricultural sector as member states grapple with the external threat that weather poses (Fitzgibbon, 2015b). These adverse weather conditions have significant negative economic implications linked to the production and distribution of agricultural products as decreasing soil fertility and a rising number of plant diseases. (Guha-Khasnobis, Acharya and Davis, 2007). These adverse weather patterns increase the already considerable risk involved when investing substantial amounts in farm inputs and this high level of risk both justifies and necessitates intervention by the EU, given the importance the agricultural sector and its continuing development.

## **Energy**

Agriculture and Energy are becoming increasingly interlinked, creating opportunities for the EU overall. Within the EU, energy policy is directed at a national level as governments 'like the clout of national energy markets' (Economist, 2015). Given Europe's lack of control regarding energy policy, central decision makers have the opportunity to exercise a greater influence on energy provision through the agricultural industry. On farm diversification has increased due to rising farm incomes making more money available for investing in new ventures and technologies. Solar panel farms, which have been successfully introduced in France and are beginning to come into operation in Ireland, allow for great economic efficiencies to be leveraged while also providing environmental gains (O' Riordan, 2015).

Europe is coming under increasing international pressure to take action on climate change, as highlighted at the COP21 talks, and centralised agricultural policies mean that member states can not only benefit in the long run through a cleaner environment but also in the short to medium run as this new mechanism allows for multiple land uses. The continued existence of a common agricultural policy within the EU will enable the sector to engage in meaningful environmental stewardship going forward.

## **Population**

The demographic challenge facing the farming industry faces raises issues regarding the

security of food supply, with only fourteen percent of EU farmers under forty and thirty percent over sixty-four (Fitzgibbon, 2015). Even more worryingly, more than half of Europe's farmers will retire within the next ten years. Given the scale of this demographic challenge the market, and the importance of securing future food supply the market cannot be relied upon to tackle this problem.

## **Attracting Young Talent**

According to the Guardian, 'access to technology or finance could improve and infrastructure developed, but none of these efforts will secure food security if we do not entice more young people to enter into farming' (Guardian, 2015). Young people seeking to enter the industry face many many barriers and while the new Basic Payment Scheme seeks to address several of these this 'carrot' may not be enough to tempt young people into a sector with high entry costs and difficulties with transferring ownership. The failure to attract young talent is a short run problem as well as a long run danger as an agricultural sector dominated by a more mature demographic will be less enthusiastic about introducing new forms of technology, such as robotic milking parlours or developing their farms infrastructural capacity. It is therefore vital that agriculture is promoted as a viable career option for young Europeans and it has to be incentivised through common policies like the Basic Payment Young Farmer Top-Up Scheme.

## **The Field**

Three quarters of the European Union's population now live in towns or cities (European Environment Agency, 2013). This trend is projected to continue and is reflective of a global pattern. By 2050, there will be over 2 billion more people, all of whom will need food, which could drive up prices by forty to fifty percent (Vidal, 2013). In order to meet huge increases in demand the Agricultural sector will need to make large productivity gains and the current Eu model has an advantage here. Common policies provide a platform for the twenty eight member states to benchmark themselves against, sustaining economic competitiveness within the sector and pushing farmers to innovate.

The majority of this increase in demand will come from outside Europe, and the agricultural sector will likely see increasing exports in the suture. As superpowers like China continue to develop economically they are also becoming more westernised and the demand for protein laden food products traditionally associated with the European agricultural sector, (which has already risen in recent times) will continue to rise. The CAP allows European farmers to benefit from increased economies of scale and to compete on an international platform. Trade agreements like the Transatlantic Trade and Investment Partnership will ensure that The EU's agriculture sector has markets for its produce. The EU's involvement is essential for maintaining vital trading arrangements,

as evidenced by the United States' unwillingness to 'do business' with individual countries (Donnan, 2015).

## **Rapid Change**

The changing nature of geographical and social patterns has led to an increase in the female labour force participation rate, a fall in leisure time and rising incomes. This urbanisation has caused changes to eating habits, a rising number of well-educated consumers and an increased awareness regarding the nutritional, health and ethical decisions being made. It is therefore crucial that the EU ensures food safety remains a primary agricultural policy to protect both consumers and the agri-food industry. The EU exports €85 billion worth of food and drink each year and, as consumers grow increasingly conscious of food origins, needs to maintain a reputation for having the most stringent food regulation in the world (EC, 2013). If left in the hands of each member state the need for traceability, food safety and labelling will be come into conflict with the desire to maximise profit.

Just as a market led approach does not adequately safeguard the consumer against threats to food safety it fails to place importance on reducing food waste. Again European intervention is needed here as the market and individual countries are not sufficiently motivated to take action, despite the scale of the problem. In a world where 1 in 7 people suffer from food poverty, 1.3 billion tonnes of food is wasted globally every year (Food Cloud, 2016). This issue must be tackled in order to minimise environmental damage and economic losses in the future. More social enterprises like 'Food Cloud' need to be set up and further measures introduced in order to realise the European Commission's (EC) target of reducing food waste by fifty percent by 2025 (EC, 2014).

## **Rural Development**

Migration to large towns and cities is now a common feature within member states and is posing new challenges for rural areas to manage. Similarly to patterns seen in the provision of broadband and transport, without market intervention the economic viability of less densely populated rural locations would be under increased threat. A centralised EU approach has and continues to ensure that, through the CAP, rural development remains at the forefront of agricultural policy decisions. Agriculture remains the largest economic and social driver outside of urban areas (O'Hagan and Newman, 2014) and the direction the sector takes going forward will have a powerful impact on rural life and development. In addition, a European wide structure supports the family farm model, sustaining communities and providing a cushion against a market that favours the development of tertiary sectors.

## Conclusion

It is difficult to envisage how individual member states can overcome the challenges facing the agricultural sector within an increasingly globalised environment. Agriculture is uniquely exposed to a number of challenges which provide economic justification for a centralised decision making process to remain in place. The EU must act to lessen the negative impact the sector has on the environment through incentivising more sustainable methods of farming. In addition, a centralised approach is necessary to ensure that the depopulation outside of urban centres is managed through sustainable rural development. An ageing demographic, unpredictable weather patterns and rapidly changing consumer preferences pose threats that are best dealt with on an EU level. The Agricultural sector's exposure to significant volatility and a plethora of external difficulties provide economic justifications for protecting an industry which provides one of our most basic human needs. EU farmers are hungry for exactly the same thing as the consumers of farm outputs: food.

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