

THE UNPRECEDENTED DEMANDS ON AGRICULTURE

OPENING KEYNOTE
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*Chairman of the Committee on Agriculture and Rural
Development of the European Parliament*

Greetings. Thank you Chairman Bolger. I wish also to thank the World Agricultural Forum, that has chosen Brussels for its Congress that has a very inspirational title: *Rethinking Agriculture to sustain a growing global population.*

Straight to the point

My job here is to depict the new conditions of scenario, but first I would like to briefly say what Rethinking Agriculture means to me.

It means to admit that food security is no longer a problem "of others", but it is a global problem, affecting every one of us.

It means to acknowledge that sustainable agricultural production involve **more, and not less**, technology and innovation.

It means to engage in outlining a new framework for the global trade.

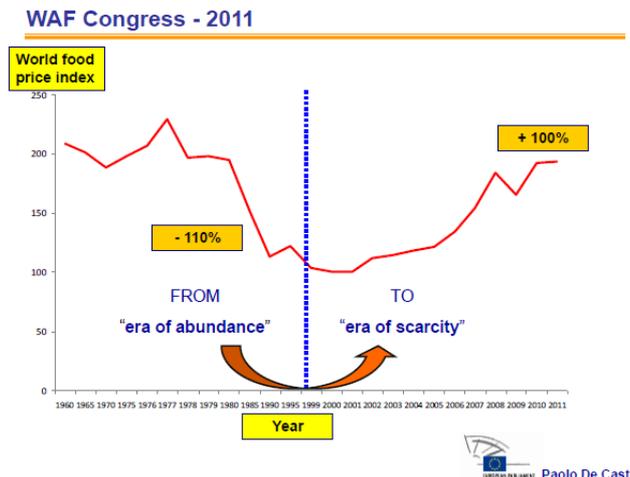
It means that we must work to a real coordination among national and regional agricultural policies.

All this means to accept the idea that we were wrong, in some respects.

The scenario

I shall return to these points. Now let me come to what I called "my job".

The long food prices declining trend is over. If we consider the World food price index we can clearly see that bypassing the millennium the declining trend in food prices has given its way to a price increase trend. I use to say that the **abundance era** is over and we are now we are in a **scarcity era**. The **slide 2** put the accent on this passage.



Commenting on Slide 2, do you think that talking of scarcity is a bit exaggerated? It depends on WHO you are. If you belong to the wealthy people living in rich Countries and you spend about 15% or less of your income to purchase food, it can sound exaggerated.

If you are one of the billions living in poor Countries, you earn less than 1,25 dollars per day and you spend 70% of them to feed you and your family it is not exaggerated. **Scarcity is the reality you must face everyday.**

Looking at the forecast, it will get worse. After the 2008 and the 2010 food crisis tens of millions of people have been shifted below the poverty line.

Still, there is a new fact: reading newspapers in these months we have found out many unexpected complaints on this situation. They came from the food industry. So, the new fact is that scarcity is a global phenomenon affecting also the wealthiest rungs of the food chain.

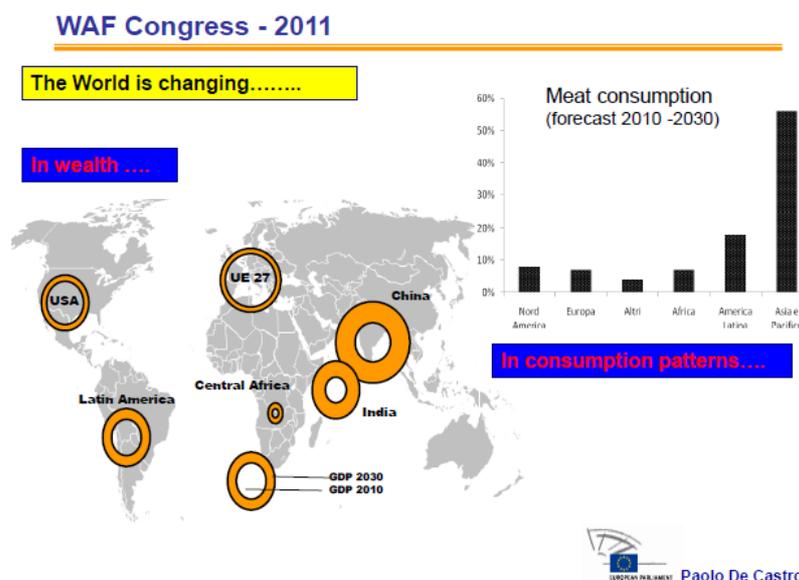
According to a recent report, a relevant part of food industry is planning to increase prices over the next 12 months. It is not so surprising if we take in account the new scenario.

Allow me to quote the title of this keynote, to say: many of the "unprecedented demands" in agriculture are a **question of demand**. The growing food demand.

According to UN estimates, the world's population will reach nine billion by the year 2050. The predicted increase is equivalent to over one-third of the Earth's inhabitants recorded in 1995.

Such demographic progression will be matched by increases in demand for energy, food and water and by increases in polluting emissions. But food demand is not only increasing. It is changing form. The rising middle classes in the emergent economies have increased their purchase power and they ask for foods with higher added value, and a higher environmental footprint, like, for instance, meat and dairy products.

The world is changing, as we can see it from the next. On the left we have the Gdp growth forecasts. On the right we have the meat consumption forecast.



Commenting on the above, as a result, various sources indicate that this rising food demand will entail about twice the current food production. But increasing food production must take in account environmental constraints. We simply cannot think to produce more, doing it with no

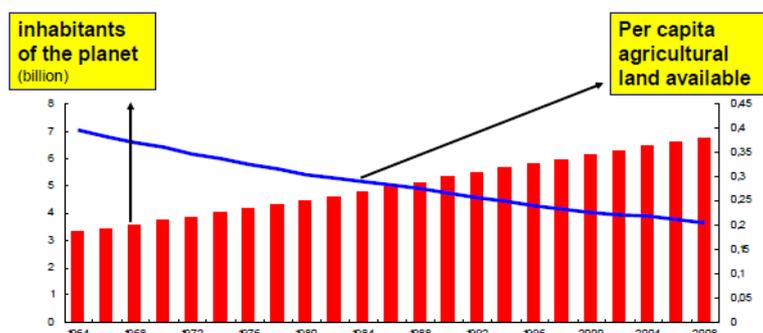
acknowledgment that we are exploiting resources with a pace that, on the long term, will endanger our ability to produce.

We find ourselves in the most classical "double bind". Our future goal should be to produce more and pollute less. To do that I do not think we should look at the past. At the opposite, we should look at the future, relaunching innovation and research.

There is a fundamental element supporting this statement. In general, there are two ways to increase agricultural production and produce more food. One way is to bring more land under cultivation. The other one is to increase productivity.

The first way cannot be our main choice. Unless we think that deforesting wide surfaces all over the world or grabbing land from poor people in Countries with a weak land governance, are good and sustainable options. I do not. What we can see in the next slide below is that pro-capita arable land is reducing steadily since 1964.

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Further, we are facing a new competition on soil exploitation. According to forecasts, the population growth we mentioned before will mean less land for rural spaces, more land to towns. To very big towns and metropolis. In the race to the land, the energetic crops are running as well.

Indeed, the main way to increase production is to **increase agricultural productivity**. The growth of productivity comes from an increase of the efforts in research & development of new technologies. And in making them accessible to as many farmers as possible.

The change in food supply and demand concerns the long term. But the uncertainty in the short term is also affecting food prices. I am referring to volatility of food markets.

The causes are many. Fluctuating harvest levels in a phase of low stocks occurring in **narrow markets** - as the agricultural commodities markets are - causes price-volatility. And of course there is speculation. But we have to state clearly that speculation can amplify volatility. It does not create volatility.

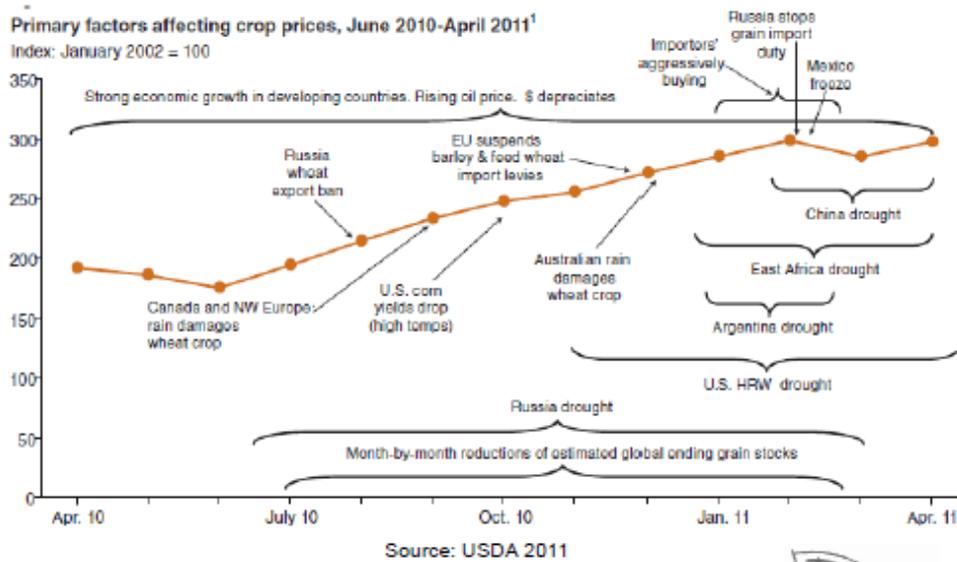
We have to take in account that the volume of production traded in agricultural markets is worth 15% of global production. With markets of such modest dimensions even a minimal shock in the prices can have devastating effects on the general stability.

I think it is necessary to mention another major drive of volatility. Maybe it is an inconvenient truth for politicians, like me. But we have to admit that another cause of volatility is the **lack of coordination** of political response to extreme weather phenomena and to food crises.

In the next slide we can see a representation of natural disasters that affected agricultural production and the response of national governments.

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Natural disaster and uncoordinated political responsescomplete the picture



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And in commenting on this slide, I want to add to this list also political responses to food crises. They have rarely been adequate. The restrictions on exports and other political decisions to curb the effects of volatility have been taken with good intentions, as well motivated attempts to protect national food supply. But they have had devastating effects on the stability of global food supply.

And that was because such politics belong to the abundance era and are not set up to face the scarcity era.

In the abundance era, when we were talking of international trade our worry was to open borders, not how to avoid exports ban. It was less than ten years ago.

It seems centuries.

Conclusions

Concluding, I would like to return to the points I have stated at the beginning of this speech. The following diagram is a resumé.

TOWARDS A PERSPECTIVE OF FOOD SECURITY AND SUSTAINABILITY

More research and
Innovation

Reversing the trend of public spending

Changing the rules on
international trade

Rethinking the WTO

Improve risk management
tools

Rethinking agricultural policy around the
World

Improve international
coordination on food security

Towards a new global food policy



First, I have mentioned the need of more research and innovation. It means to reverse the declining trend of **public expenditure in agricultural research on productivity**. The private sector research runs its course and it is very useful. But we need long term research, not exclusively aimed at an immediate return on investment. In other words, we need a strong public research.

Trade can have a major role in supporting food security. To that aim a new kind of trade policy framework is needed. We should rethink the WTO.

We should rethink agricultural policies around the world putting at the centre of the stage a modern kind of support to farmers. If, as a consequence of volatility, agricultural entrepreneurship has become more and more risky and uncertain it means we need to base our policies on **risk management**.

Finally, we should improve **international coordination** on food security. The G20 has been a very important first step, but I hope that soon we can make some real progress on this point.

Let's take an example. In the USA and the EU there is quota system to regulate the sugar sector. Sugar is one of the commodities whose prices have been growing the most and we have assisted to repeated interventions of authorities to mitigate prices, one lowering quotas, the other augmenting them. Don't you think that with a minimum of coordination we could have done better for sugar markets and for food production?

We need a global food security policy. But first we have to admit that food security is a global problem, worth of equal attention of other emergencies like climate change.

In doing this we must give a new centrality to agriculture: in politics, in economics, in society and in everyday life. This role requires that we rethink agriculture, to make it able to take charge of new responsibilities.

I see only this solution to win the challenge of the scarcity era.

Thank you.