

Food security not an issue in Europe, says EU

By James Campbell, Irish Farmers Journal

Food security is not an issue for the European Union, according to the EU Commission's Director General for External Trade, David O'Sullivan.

He told members of the Guild of Agricultural Journalists of Ireland during their visit to Brussels at the end of January, that the European Union is the world's largest importer of food and the world's largest exporter. Because of this - and because "trade is the foundation of wealth creation" - O'Sullivan firmly believes that not all of the food consumed in the EU should be 'home produced'.

His view is that the EU achieves 'food security' through trade. State governments should be happy to have other countries produce agricultural commodities, which the EU Member States can buy in at the same time as the EU exports high quality goods and services to those other countries. This is the classic economics that trade and the law of comparative advantage can improve the lot of each participant in that trade.

O'Sullivan also made the point that imports are necessary to maintain competitive pricing of food for the consumers in the EU. This is a key issue from the point of view of the farmers in the EU. Faced with the power of the huge retail supermarkets which source products from all over the world and have relentlessly squeezed the prices that they pay to suppliers, the farmers have been suffering serious losses on the primary production of milk and meat.

Meanwhile, the reform of the Common Agricultural Policy has largely removed price supports for commodities produced within the EU by 'decoupling' farm support from production. Farmers in the EU now earn their support payments by complying with environmental directives and animal welfare regulations – not by increasing production. In fact, many have reduced production or quit the type of farming that they previously practiced. It is only through the decoupled payments that they can survive financially. The hope is that the market prices will improve as these decoupled payments are only in place until 2013.

Already there have been signs of price improvement due to increasing demand in developing economies such as India and China. The price rises have been sharpest in grain and dairy products, coinciding with reduced supplies from some countries such as drought-hit Australia.

We have seen grain prices approximately double in the past year. World consumption of grains is exceeding production and stocks are down to their lowest levels for decades. This is at a time when there is massive expansion in the use of crops to produce bio-fuels. The combination is a potent recipe for shortages of food and, with the involvement of speculators in forward markets, a recipe for huge volatility in prices for basic commodities. This is a complete departure from the relatively stable circumstances of the past 40 years of the CAP, in which the European Union built up its food production on the back of supported prices, import tariffs and export subsidies.

Farming organisations in the UK and Ireland are warning that 'food security' is an issue about which governments within Europe should be concerned. Within the UK, milk production is falling short of quota each year because it has not been profitable for producers and significant numbers of them have quit.

Beef and sheep production has been yielding losses or minimal profits for several years. In early February, the National Farmers' Union of Scotland warned that 'supermarkets are sleep walking into a supply problem' as producers reduce breeding stock. The Farmers' Union pointed out that the supply problems are already apparent in the dairy sector and now happening in red meat. This should be a major worry for consumers, they argue.

In January, *Irish Farmers Journal* editor Matt Dempsey reported a change of mood at the Oxford Farming Conference (one of the world's leading agricultural forums, held annually at the old university). He found that 'food security' had moved up the agenda of the British government. It had not gone unnoticed that countries as far apart as Argentina, Russia and

China have all taken steps to discourage sales of food out of the country in order to keep supplies for their own population.

Speaking at Oxford, the president of the International Federation of Agricultural Producers, Jack Wilkinson, warned that removal of price stabilisation would hit food production and cause chaos for most countries. The Canadian argued against individual governments or trading blocks being led down the current World Trade Organisation path of reducing all import tariffs, which could decimate domestic markets. Instead he advocated that if 5% or 10% of product has to be imported it should come in at a minimum price.

Wilkinson also commented that in an economy with high costs of production, it was criminal that the farmers of the EU had to be open to direct competition from the lowest cost producers in the world.

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