

WEDNESDAY 5 DECEMBER 2007

Present

Arran, E.
Cameron of Dillington, L.
Dundee, E.
Greaves, L.
Plumb, L.
Sewell, L. (Chairman)
Ullswater, V.

Witness: **Mr Yves Madre**, Delegate for European Agricultural Affairs, French Permanent Representation, examined.

Q495 Chairman: Thank you very much for coming and meeting with us and finding time. If I can just briefly explain who we are and what we are doing. We are a Sub-Committee of the House of Lords Select Committee on the European Union. Our present inquiry is into the CAP Health Check but also looking slightly beyond that and seeing how, if you like, the architecture and geography of the CAP may evolve into the future. That is really an invitation for you to talk about the French Presidency! We will have a record because it is a formal evidence session and you will have the transcript once it is ready and you can make revisions and changes to that. The best way of proceeding is through a discussion around the questions that we have indicated. If I could start it would be to say that your government has indicated that it wants to use its Presidency to open a debate about the purpose and future of CAP. How that has influenced your attitude to the Health Check? Where do you see the Health Check leading? Looking back a bit, what has been your experience of implementing the 2003 reforms? What changes has that led to in French agriculture and how do you see the change going forward? In ten seconds!

Mr Madre: I will try. First, I have to apologise for my very poor English.

Q496 Chairman: That is not the case.

Mr Madre: It is a true pleasure to be here today because it reminds me of some years ago when I was in London. In relation to the CAP, the future of the CAP and the Health Check, I hope that things are quite clear. We think that President Sarkozy's speech, which he gave in Rennes in September, tried to be clear on the matter. We have two different topics. One is the Health Check and we have to consider what the Commission intends to do with that Health Check. It is a way to be sure that the CAP reform of 2003 will be efficient until 2013. There is another debate, and we would like to launch this debate during our Presidency, about the future of the CAP after 2013. It is not a secret that this debate will be the theme of the Informal Council in September 2008 in the Alps. The aim is not to conclude in September unless all the Member States agree with the French point of view!

Q497 Chairman: How surprising!

Mr Madre: The aim is to launch the debate, and the debate will continue, as the European Union to define the policy before defining the budget. We think that is a good rule, to say that you have to define the policy before speaking about the money. It is not that money is evil or bad but it is what we do in our own Member States and it should be the same in the European Union. Those are two different exercises. The Commission and the Commissioner say that the Health Check could be a step in order to prepare the future, and why not, but it means we all need to have clear ideas about the broad line of the future. It is not Mariann Fischer Boel's aim or the French Presidency at the time or the French Government today to have a reform during the Health Check. The Health Check is not a mid-term review of the words or the meanings.

Q498 Chairman: In that debate about the future of the CAP that you are talking about, and okay you are not going to start in September and finish in September, what do you think will be the main elements of that debate?

Mr Madre: I would be very glad to be able to tell you everything. In September 2007, just a few weeks ago, Mr Barnier launched in France what is called “Assises D’Agriculture” and we will have a lot of meetings with stakeholders, unions and other stakeholders from September to March 2008. The objective we gave to all the directors of all the groups who met, and will meet again, is first to define what they are looking for from the Health Check and what according to all the stakeholders would be a good CAP for the future after 2013. Moreover, we will have a conference during the first semester of 2008 considering the theme of research theory on agriculture. This conference will deal with not only the next CAP but longer term on what research could give to agriculture and to the European Agricultural Policy. We think that tomorrow we will need a CAP but that CAP will not be necessarily the same as the one that we have today. Objectives have to be defined first. In the work we are doing in France we will not define the CAP of the future without stakeholders or the French view of the CAP for the future without the French stakeholders so until March 2008 we will not be very talkative.

Q499 Chairman: You will not be very talkative?

Mr Madre: No. Nevertheless, we think that the CAP in the future should reach some aims and one is food security for Europe and something that may look strange to the United Kingdom which is food independence.

Q500 Chairman: Food independence?

Mr Madre: Yes.

Q501 Chairman: What does that mean? It does not mean having an EU pineapple regime, does it?

Mr Madre: It means we have the same idea as our American friends on the topic. Food is a tool, a political tool and if you have a shortage of food you will be weak.

Q502 Lord Plumb: Does that mean re-nationalisation?

Mr Madre: I am speaking about European policy.

Q503 Lord Plumb: I know you are, but if you are going to have independence do you mean independence around borders?

Mr Madre: No, European.

Q504 Lord Plumb: Around Europe?

Mr Madre: It does not mean that we have to produce 100 per cent of what we consume, it means we are in an open market and we will be in an even more open market tomorrow than we are today, which is normal, or we hope that it will be. We must avoid being dependent on other countries for all that we need, only for the very minimum necessary, and producing in our own European territories. We know that food production will be quite a topic in the future concerning wealth creation and growth, the growth of our wealth creation considering what they will eat in Asia tomorrow. There is one aim for a Common Agricultural Policy. A second one is to participate in the world markets, in world trade and to help the world market to be balanced. The third one could be to ensure that the balance between territories within the European Union will not be destroyed and in all regions we will keep enough people, enough agricultural activities. The last one, of course, is agriculture has a main role to play when you are thinking about climate change and the environment. We are thinking about four main aims for the CAP in the future.

Q505 Chairman: That is very helpful.

Mr Madre: Those are only broad outlines. After that, if you ask what kind of tools and regional quotas I will not be able to answer today.

Chairman: That is fine. That is very, very helpful indeed. Thank you very much.

Q506 Earl of Arran: Like your country, we have many different terrains and many different types of soil which can lead to disadvantaged areas, of which we have quite a few back home. What approach does your country favour to the problems of these disadvantaged areas and how far might their difficulties be met by Pillar II policies rather than product support?

Mr Madre: We have quite a lot of less favoured or difficult areas. That is perhaps why in 2003 we decided to keep some coupled payments. At the time we thought activities in agriculture were needed especially in these areas in order to maintain the landscape, for instance, but also to maintain jobs in those areas, to maintain the fields because in a lot of these areas we have farms producing food and without farms there are no fields and then no more jobs. In France, the whole of the agricultural sector represents 14 per cent of the total net French employment.

Q507 Chairman: 14 per cent of employment?

Mr Madre: Yes.

Q508 Chairman: What does it represent in terms of GDP, do you know?

Mr Madre: I do not know exactly. I know the balance for exports. The first is agricultural goods and food and after Airbus and planes, et cetera.

Q509 Lord Plumb: Could I just ask whether the 14 per cent includes people involved in the whole of the food industry?

Mr Madre: It is the whole of the food sector including the food industry, from the land to the consumer.

Q510 Lord Plumb: I just wanted to be clear.

Mr Madre: In 2003 we decided to keep direct payments just because we thought at that time that without production there are no farmers and without farmers there is no more activity in the region, no tourism and no more beautiful landscapes. Tomorrow, what will we think about Pillar II. Pillar II is useful, but we are afraid that Pillar II is not enough. If we want to maintain agricultural activities the best tool is Pillar I and if tomorrow you tell me, and maybe you will not tell me, that direct subsidies have to decrease and we have to imagine something else or be fully decoupled, why not? If you tell me such a thing, I am afraid some of us will be even more fragile. We need to help them in a very specific way to keep the basic activities and we need Pillar I and Pillar II. There is no problem with Pillar II as we have direct payments. Pillar II benefits from Pillar I and Pillar I benefits from Pillar I and the efficiency is good.

Q511 Lord Greaves: This is a slightly different question but it relates to mountainous areas. I have got a specific interest in part of the French mountains in the Pyrenees in the PNP - the Parc National des Pyrénées - and I am fascinated to see that, as far as I can understand, some of the support which was given, for example, to the maintenance of traditional alpine-type hay meadows appear to be through very locally organised and locally administered schemes, which I assume came from CAP funds but were very much decentralised and organised at a local level, at a national park level, and perhaps even groups of communes within the national park, which is quite different from the way schemes are organised in England. Is this type of decentralisation of the administration of support typical in France or is it something that just happens in that part of the Pyrenees?

Mr Madre: It is quite specific not only to the Pyrenees but to regional parks. We have such parks in the Pyrenees and in the Alps and because they are natural specific regional parks we try to manage with very specific rules to make sure that everything is very efficient. It is very specific indeed.

Q512 Lord Greaves: So the actual schemes and the things that are supported might be quite different in different places?

Mr Madre: Yes. The other schemes we have in France that are financed by Pillar II are schemes defined at national level and some of them at regional level, but they are wider than the schemes that you have mentioned.

Q513 Chairman: President Sarkozy has proposed that the CAP should continue to stabilise markets in agricultural goods. The question that obviously follows is what form of market intervention has he in mind?

Mr Madre: That is a very, very clever question. I hope that you have the answer because I have not! When President Sarkozy suggested that today, and tomorrow as well, agricultural markets have to be stabilised and we have tools to stabilise such markets, we should be very clear that it is not a question of defining a price, saying we will define a price for the next few years of wheat or meat, no, we know because of the weather, because of world markets and world prices in the European Union prices are going up and down and it will be even higher or lower than today because of climate change. The aim is not to avoid the variations but to be sure that tomorrow farmers will be able to deal with the variations and able to avoid very, very high prices or very, very low prices because that is not good for the industry or for farmers. The aim is to be clear that we do not like the CAP we had before 1992 for instance. It means that we have to work on crisis management tools, to discuss with all Member States and to define what kind of tools would be acceptable for European agricultures, because there

is not only one. As of today everything has to be defined and that is why in September my minister asked all stakeholders to work on that topic. We know that the Commission is working on that topic and we have to share our thinking on that and our experiences. Spain has some experience and we have the experience of the United States where there are some crisis management tools which, despite the name they gave to the tool, some are efficient, some are not and some are just a way to waste money.

Q514 Chairman: We are just coming up to the decision on the wine regime and there you have a crisis management tool that has become a permanent feature, crisis distillation. That is the difficulty with crisis management.

Mr Madre: Concerning wine ---

Q515 Chairman: I am just using that as an example.

Mr Madre: Today in the proposal we have very good tools but tomorrow we hope that we will have some better tools. When we are thinking of crisis management tools they must be used in a very exceptional way. You mention distillation and I hope, and France wants, if ever Member States use distillation tomorrow or in the future it will not be the same as in the past. We know in the past what the result of that was, it was not a good one and that is why we reform the CMO and tomorrow it should be a crisis management tool but not a permanent market tool for some countries.

Q516 Lord Cameron of Dillington: I wanted to ask you a couple of detailed questions on the Health Check. For instance, on milk quotas the idea is to phase them out eventually. Would you support the Commission's proposal that you do this by just increasing the amount of quota? Do you as the government support that? How do the French farmers see that? Do they also support it?

Mr Madre: One year ago French farmers would have said, “No way”, and that was clear. They are still considering the question of what will be the result for the French dairy industry and considering as well what other Member States think about that. We have to consider the proposal of Mrs Fischer Boel concerning the end of the milk quota and the Presidency will be very happy to consider the positions of all the Member States and then I think we will find a solution which will not be too difficult. The proposal from Mrs Fischer Boel ---

Q517 Lord Cameron of Dillington: Will your solution involve the abolition of milk quotas?

Mr Madre: I have not got a crystal ball, but I think that the abolition of milk quotas is very high on the agenda of the Commission and a lot of Member States and we are open-minded and realistic.

Q518 Lord Cameron of Dillington: Moving on to the idea of capping the Single Farm Payment for large receivers of Single Farm Payment, we have just heard from both Germany and Denmark that they would be against that and your President has said that he could accept it under certain conditions. I just wondered what these conditions might be.

Mr Madre: Just before answering this question concerning capping, can I comment on the last one concerning milk quotas. Mrs Fischer Boel suggests very, very progressively increasing the milk quota. We are very open-minded and we will consider that but one thing has to be underlined and that is this very, very slow, very progressive move is good and could be necessary for Member States where the values of quotas are quite high, so that means for the Netherlands and Denmark. In France the value of the quota is not so high, it is quite low. We are open to discuss this. We are open to go more progressively or less progressively, we will see. Concerning capping, as with all other subjects, there is no taboo for us and if ever capping is decided some of our farmers will be affected by this measure. We understand

perfectly well that it is mainly a topic for Germany, the United Kingdom and the Czech Republic, for instance, Denmark indeed. We will act as the Presidency. That was what was meant by Mr Sarkozy on that subject, that we have no taboos and if it is not the final decision and if in order to have a compromise if the answer is no capping, we will consider this and if the answer is some capping, why not? The question is very open for us. We will be very keen to listen to all of the positions.

Q519 Viscount Ullswater: Could I turn your attention to rural development and ask you how France sees the split of funding in the EAFRD between perhaps the agri-food economy on the one side, the environment on the other and then the broader base of rural development. You have also said that in the future you are going to need Pillar I and Pillar II, but would you see the gradual shift of money from Pillar I to Pillar II as being the right way forward?

Mr Madre: That is very difficult. I will give you, if I may, some figures first. In France, concerning Pillar II we plan to spend around 40 per cent in Axis 1, around 45 in the second one, that is Less Favoured Areas and agri-environment, and between ten and 15 per cent in the third and concerning the LEADER scheme it is five per cent and no more.

Q520 Chairman: It does not fit the Napoleon tradition, does it?

Mr Madre: I think from the figures it is quite clear what we are focusing on in France considering the second pillar. The second point is in the European Union we have a regional policy and we hope that what concerns the regional policy will be under the regional policy and not under the CAP and what concerns Pillar II CAP will be financed by CAP funds. We have several policies in the European Union and we to have use them in the best possible way. We are not keen on financing with the CAP things that should be financed by the regional policy. The last point is modulation. Modulation, according to us, should only be a tool, but sometimes I wonder if modulation is not an aim for some people. When you define a

tool you must know what its purpose is. I was in an eastern country Member State some days ago and the conclusion of the scientists was, “Considering the Commission’s proposals we will have 13 per cent of modulation plus 12 per cent of capping, so that means 25 per cent and that is fine. We could be in favour.” The last comment was, “What will we do with this money?” and after they had no idea and that is the problem. If ever anybody suggests having more modulation, the good purposes should be defined. This is the same thing when we speak about the future of the CAP. First, we would like to define the policies and after the budget, the financial needs, not the other way around.

Q521 Viscount Ullswater: I think you mentioned in your first answer the regional policies that you have in France and the Pillar II policies. Do they marry up correctly or are you concerned that one is trying to cover something which should be done by regional policies and using the CAP finance to do it?

Mr Madre: Today I would say it is not so bad but regional policy could do better. Tomorrow we have to use both of them. We are just speaking about CAP and the fact that CAP within the second pillar should do a lot, and that is fair enough, but the CAP should do what the CAP is defined for. I think that in some cases we have to use the regional policy and regional funds, for instance regional funds could be used in order to increase non-agricultural activities in some remote areas, not only CAP.

Q522 Viscount Ullswater: So it is the social policy as well as an agricultural policy that need to work in conjunction.

Mr Madre: CAP is an agricultural policy.

Q523 Viscount Ullswater: Bur regional can be social?

Mr Madre: Regional can be to develop regional activities and if that is the meaning of social, why not?

Q524 Chairman: You would have to have a fairly radical reform of regional funds though, would you not?

Mr Madre: Regional policy has to be defined for the future.

Chairman: How eloquent.

Q525 Lord Greaves: Are you talking about European regional policy or French regional policy?

Mr Madre: European policy. Concerning the French regional policy, that has to be defined for the future as well.

Q526 Earl of Dundee: Within new EU Member States agriculture is a major contributor to employment, to the economy and much structural change is called for as a result of that. What impact do you think that structural change will have on the Common Agricultural Policy? Will it simply increase its budget or will it cause the CAP's purpose to be revised?

Mr Madre: We are not dreaming about some increase of the CAP budget. I say that considering the Health Check and the future of the CAP. We want to be realistic, open-minded and we have no trouble changing. We are used to seeing it differently, but it is a question of how people see French people, of course. We do suggest discussing the future of the CAP because things are changing and the structure of the European farm industry is changing despite the fact that it remains mainly family farms. The fact is the CAP is quite alive. From the beginning it has changed successfully quite a lot of times and the CAP from 2003 has nothing to do with the CAP at the beginning or in the 1990s. Just because we define other objectives it has to be underlined that the different CAPs' aims each time were asking

for more food for Europe and the farmers, thanks to the CAP, produced more food. When we said we had to be in the world market, they did it. When we said we had to avoid surprises, today there are no more surprises. Tomorrow we have to meet other goals, other aims. This is why we think we need to discuss the future of the CAP as to what will be the next European agricultural policy. It will be a strong one but aimed at remote areas and a contribution from the good and agricultural industry to the European industry and the fact that the agriculture and food industry is part of the global industry and so should play its part in the Lisbon Agenda. Everything is on the table.

Q527 Lord Greaves: Could I perhaps act as devil's advocate here. Discussing things is one thing and putting things on the table, but France has a long way to go to persuade the rest of us that really your agenda is not to slow down reform as much as possible and to stop as much of it as possible because France is a great beneficiary of the system as it stands at the moment and has been seen as, perhaps, the leading country in opposing reform. Is that really changing?

Mr Madre: France is agreeing to speed up reforms. After Mr Sarkozy's speech we felt that the general feeling and general fear maybe was what is France doing to speed up and that is strange. The fact is France is acting, and will act, like its President so we are ready to speak about everything as long as it is in the right order, so first policy and then budget. The consequences of what we choose altogether as a European agricultural policy on the budget we will not try to escape and that is very clear. All the subjects concerning policy will be on the table. We will put some papers on the table, not before March but at least for September 2008 and we wish to have a very open discussion at European level. If the result of the discussion is that we have to define what is the future very quickly, why not? If the general meaning is the European Union should take time then we will consider that.

Q528 Lord Greaves: If France is not going to be the state holding it all back now, which ones are?

Mr Madre: We are not trying to sit on a golden vote. The next CAP should be a policy of projects, not the policy of the past.

Q529 Earl of Dundee: I wonder if I could connect Lord Greaves' point to my earlier question on enlargement. As Lord Greaves said, some self-interest in France or in the United Kingdom may have held up, or might always hold up, the process of reforming the CAP. Yet enlargement could well be both a catalyst and an ally. Do you agree that in spite of half heartedness on CAP reform the fait accompli of enlargement will force it through in any case?

Mr Madre: We know what the impact of enlargement will be and we knew it in 2002 when we had this initial agreement. The fact is that the impact of enlargement from now to 2013 will be less important than we thought in 2002 because of the prices, because of what we can see in the European agricultural budget. The impact of enlargement on the agricultural budget will be a matter for mainly after 2013. Today we do receive some benefit from the CAP but we are a net contributor, quite a high one. Tomorrow we will continue to be a net contributor and we are happy to be so because it is the European Union and it is about solidarity. We will not be a net beneficiary from the CAP any more and, despite that, we do think we will need a European common policy on agriculture. It is not all about money in the budget and what we can gain or not, it is more than that, it is a question of Europe, of having common policies not only on the market without any common idea of what should be the aim and what we should do. Of course enlargement should be considered and the consequences of enlargement have been considered, but it is not because of enlargement that we say we have to redefine the CAP for some financial purpose, it is more because of the evolution of the open markets and the evolution of farms and evolution of society and what society are asking on the environment, on landscapes and because of the WTO as well. One day we will have a deal in Geneva and

we will have to consider all of the consequences of that deal. We will speak of that first and enlargement is just another point we will have to consider. We know that we will get far less money.

Q530 Chairman: You have drawn our attention to what President Sarkozy has been saying and he is by far and away one of the most interesting politicians in Europe at the moment and saying some very challenging things. The difficulty is when we have this new thinking coming from Sarkozy on the one hand and then up pops the idea of Community preference. That gives to some people the idea that is really just trying to replace formal import tariff barriers with non-tariff barriers and it is back to a semi-protectionist view of European agriculture.

Mr Madre: Do you think so?

Q531 Chairman: Oh, yes. It has the potential.

Mr Madre: Very nice. It is not Community preference but just another way to say it is fair. The Government of the Netherlands some weeks or months ago said trade concerns have to be considered when we discuss the WTO but today they are not on the agenda, that is for tomorrow. It is a question of us being fair and if we want very strict rules on our farmers on what they produce in the European Union I have some difficulty understanding why we should allow anything to be imported within the European Union. Secondly, it is a question of food safety. We need to be sure that what is imported and what will be imported is safe. It is safe and fair, not trying to find some other rules, unwritten rules, to avoid imports of American cereals or cereals from Belarussia or something like that. If it is safe and everybody has the same rules there are no problems.

Chairman: You know those words could be said almost word-for-word by John Edwards, the most protectionist candidate for the Democratic nomination.

Q532 Lord Plumb: How does your statement fit into the WTO rules? This would be a fairly major problem. I can see your point on fairness. If you think of the vast amount of chickens imported from China, Brazil and a lot of places where the standards of welfare are not the same as they are in Europe then I can understand it but WTO has to have some responsibility for making sure that they comply with those standards and, as I understand it, they are moving more in that direction now. Is that not a factor and a major factor in deciding this thinking?

Mr Madre: We will see over the next year that this topic will be very high on the agenda because of the environment and standards of living, food safety. It is just the beginning. When I listen to other countries that are quite liberal free trade countries, a lot of them are considering the topic. It is for the future and we have a lot to discuss with them.

Q533 Chairman: We have got a question on climate change but it is such a big topic, the relationship between agriculture and climate change, if you do not mind, if you could write to us on that it would be helpful because we are virtually at the end of our time.

Mr Madre: I appreciate that because I have to catch a train for Paris to prepare for the Presidency.

Q534 Lord Cameron of Dillington: You talked about food security and security policy and listening to you throughout this morning I get the impression that France is still as protectionist as ever about its agriculture industry and there has been very little change. Do you ever see the day, particularly when world food shortages seem to be coming, that you will be prepared to let your agriculture industry be like any other industry and have the risks of an entrepreneurial capitalist system and not be protected at all? Do you ever see that happening in French policy?

Mr Madre: Do you think that the European agricultural sector is a very protected one?

Q535 Lord Cameron of Dillington: Yes.

Mr Madre: I do not think so. They have some direct payments, but ---

Lord Cameron of Dillington: It is 43 per cent of the European budget. Huge amounts of money come from the state to industry, it does not go into any other industry, and why should it, they fare in the market. We have not got the time to discuss this.

Q536 Chairman: I think you have opened up a can of worms.

Mr Madre: We have a European agricultural policy with some funding, we do not have any other policies, for instance for research. If Member States decide tomorrow to have a common research policy we have no more budget and it will be much higher than for agriculture. Concerning protection or not of agriculture, we are quite happy to hear that markets should lead the decision and tomorrow that will be the case even more than today, and that is quite normal. Agriculture is quite different from, let us say, the automotive industry. I cannot succeed in taking my land and putting my land in Brazil, it is still in Brittany and that is a fact. You cannot decide just like that to go away with your land, with your farm, as you can in other industries. Agriculture is not only agricultural goods, it is a matter of the environment, landscapes, society, and we will never succeed in applying exactly the same rules.

Chairman: Thank you very much. I think it is a great triumph and a sign of major advance that we have got through this session without any reference to the European model of agriculture. Thank you very much indeed. It has been a great performance, absolutely wonderful. Thank you.