

WEDNESDAY 5 DECEMBER 2007

Present

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

Witness: **Mr Neil Parish**, a Member of the European Parliament, examined.

Q612 Chairman: Thank you very much for finding the time to come and talk to us and help us with our inquiry. Let me just briefly say formally who we are and what we are doing. This is a Sub-Committee of our EU Select Committee, which is a scrutiny committee of the House of Lords, carrying out an inquiry into the Health Check but really looking beyond the Health Check as well to see the view of the Financial Perspective and the future shape of the CAP generally. It is a formal evidence taking session so that means a transcript will be prepared and once that is done you will have the opportunity to look through it and make changes that you feel are necessary. Would you like to make a brief opening comment or do you want to go straight into questions and answers?

Mr Parish: I know you would like to question me more, so let me set out the parameters in as much I would suggest to you the Health Check is evolutionary rather than revolutionary. It is really carrying on the Fischler Reform. When Fischer Boel came to committee last week it was very much making sure that payments were decoupled away from production across the whole of Europe, set-aside to actually be abolished rather than be on zero because, as Lord Plumb and others know, things that remain at zero here can be resurrected again, so if you want proper reform they have got to be taken out. On milk quotas, finally an absolutely clear

statement that quotas would be gone by 2015, there will be an increase in milk quota next year going into services at we reckon about two per cent. I would not have thought it would have hurt to have gone to a little more than that but I suspect that is what is going to be there to create the soft landing. You have modulation of two per cent in 2010, 2011, 2012 and 2013 which from our point of view is very good news because I have never been opposed to modulation but, as you know, I made a little bit of fuss about voluntary modulation because I did not particularly like our own farmers to lose it and not others necessarily. I think if you are going to have a Common Agricultural Policy there has to be a commonality to it. The clear point that the Commissioner made on modulation, and I am sure she made it partly for my benefit, was that the increase in compulsory modulation will be taken off voluntary modulation, not added to it, therefore, if you think we are on about five per cent at the moment, another eight per cent compulsory would bring you up to 13 per cent and the deal we more or less had in the end on modulation was about 14/15 per cent, so from my point of view that would bring us to a much more equal position and I welcome that. Those are really the bald points. I will answer questions. We ought to talk a little bit more about where we are going. You talked to Reimer Boege and Financial Perspectives are important. If you are going to be serious about reforming CAP you have also got to be serious about reforming the budget and, dare I say it, keep quite a strict control on the budget and also co-financing does need to be introduced so that Member States at least can then be paying for a lot of their own CAP. We have to be careful with countries like Poland, Hungary and Lithuania because having invited them into the club you cannot necessarily say, "Well, all right, chaps, now you are in we will change your rules and you can pay for your own CAP". We have got to find ways of helping them as well and we might be able to do that as we do with structural funds where if they are receiving structural funds they are receiving help with CAP payments and if they are not they are paying quite a lot towards their own CAP. I think the rule should be

compulsory at a European level for the simple reason that otherwise countries like France will find innovative ways of helping their farmers and, dare I say it, the UK perhaps with not quite a generous scheme. Those would be my bullet points at this stage.

Q613 Chairman: That is a nice little contemporary survey, thank you very much. Looking ahead, moving away from the specifics I would invite you to say what do you see as should be the underlying general principles as we move beyond the Health Check into further reform?

Mr Parish: You have got 27 countries now and you are going to have probably 28 at least with Croatia and you are going to have a tight budget. I do not think we want to necessarily carry on with a general payment on all land, we have got to start to look to targeting this. It is difficult to predict the market but in the market as it looks at the moment, it looks like cereals are set reasonably fair. The livestock sector is always going to be under great pressure, especially in areas where land is more difficult to farm. We are going to have to find ways of targeting those resources. Because the agriculture policy, technically speaking, is no longer linked to production you cannot then start saying that the market price for cereals is higher so we will re-divert some of that money to the livestock sector. That is where you can use modulated money to some degree to help with that situation. Representing the West Country I can probably talk more about these terrible barley barons in East Anglia and the need to take some money from them and spread it across to the South West farmers who are suffering on the hills. You get my meaning. There has got to be a way of adjustment. Keep the budget tight and then move into 2013 and beyond. The whole policy now will have to be much more aligned to environmental policy as well as production but, of course, we have not to forget production because we are in a much tighter situation vis-à-vis the world supply of food, so food security is becoming an issue. It is a balance between the two. The livestock sector, the suckler beef in particular and sheep at the moment, has its problems, all of these animals are

kept mainly in areas of high landscape value, not only good for agriculture production in some places but also good for tourism, so the balance has to be met. I would suggest we have got to find mechanisms of finding and targeting support. I know the Commissioner is particularly keen on the fact, and I think she is quite right, and we can argue whether the historic model of payment or the regional form of payment is right or wrong, that by the time you get to 2013 you can hardly argue that the payment you are getting on that farm is related to what you were doing in 2001 or 2002, there is not a reality to that. That is where we have got to find our way. In her mid-term review there is not a huge amount on where it is going afterwards. The gossip on the street is that Barroso is going for a second term of Presidency and he did not want anything too revolutionary in the ideas from the Commissioner. While I support very much what she is doing up until 2013, I think we do have to start looking. We have got to find ways of targeting the money better. We can hope that by then China, India and Vietnam will increase their production and economies and poor people will be getting richer and wanting more food, which is the first thing they spend their money on, and then milk powder and the dairy side will be better. I am hoping the whole thing will be better from an economic point of view so we can then balance the books.

Q614 Lord Cameron of Dillington: We have heard what Neil Parish thinks, which is very interesting, but I just wonder what support you might be getting from your committee on co-financing and decoupling?

Mr Parish: Not as much actually.

Q615 Lord Cameron of Dillington: You did not mention capping but I suspect I know where you come from on that.

Mr Parish: Probably not quite where you think.

Q616 Lord Cameron of Dillington: How does your committee line up on all of this?

Mr Parish: They are very conservative with a small 'c'. They really do not want any form of change. We are awaiting a report from Lutz Goepel, who is the German rapporteur and is dealing with the Health Check, and his proposals are going to be much more moderate, shall we say, than even the Commission's proposals. It is going to be less modulation and less of everything basically except payment. It is difficult for me because when you sit in the chair you have your own personal views, and I am sure Lord Plumb knows this, but you also have to put your European hat on on occasions and take an overall view. I will take some of the committee with me, but not all. It will be conservative. I think there is beginning to be much more of an acceptance of co-financing, but not by all countries by any means. They can see that the ceiling of spending of the one per cent club is probably not going to shift very much so they see co-financing, dare I say it, as a way around that one per cent ceiling. I suspect co-financing is going to find support eventually, certainly among the bigger Member States and probably amongst Germany as well which, let us face it, is a big contributor to the European budget.

Q617 Lord Cameron of Dillington: Where would they stand on quotas?

Mr Parish: As we stand today, I understand they are in favour of quotas going. In a way they are almost key to the whole argument. Again, the Commissioner and all of us in a way are starting to be helped by the market because we finally see an increase in dairy prices and an increase of four per cent in dairy trade and milk powder is the most valuable it has been for years, so that is helping. Quotas will be increased. She is very keen to get the value. Although the value in the UK has gone from the milk quota, in the Netherlands and Denmark it is still quite valuable, so that needs to be got out of the system. Not that the Commission is that worried about it, to be honest with you, because they never created it with a value so as far as they are concerned they are inclined to say it is an artificial value anyway. In the UK it

is not such a problem. If quotas do remain in until 2015 I am prepared to wager you a small bet that quotas will have some value before we get to 2015 because farmers are very good at producing milk if the price is right. This year it is difficult because of high cereal prices and low quality of feed, silage and the like. It will be interesting, I think. It will not get a high value because quotas are going to be gone but if you are producing quite a lot of milk and you are going over quota and the country goes over quota then it will be an interesting position. She will try and increase quota to absorb that if she can, I think.

Q618 Lord Cameron of Dillington: You were going to touch on your committee's views on capping.

Mr Parish: Yes. Certainly Lutz Goepel is very conservative on that because he is East German and there, of course, you have got the very big farms, the privatised estate farms basically. My view, for what it is worth, is that a little bit of capping may not be adverse as long as the money is kept within the Member State. If you started capping the very large farms by 25 per cent you would just get them to split and you would lose the lawyers and the accountants and it would create inefficient farming for the sake of it. To play devil's advocate, if you took five per cent away from the largest farms because, let us face it, there is an economy of scale, it would not make those farms split. If you could spread that money back in Member States and not send it back to the centre then there could be an argument, but it has got to be carefully handled. My one worry about accepting capping is a bit like taxation really, once you start it where does the level go thereafter. It is one of those interesting points. There will be a split in the committee on that because basically it is Germany, ourselves and Spain - Spain has got quite large farms as well - who are most interested in capping. In some ways, although it would create perhaps a ---

Q619 Lord Cameron of Dillington: Denmark too.

Mr Parish: Denmark, yes. What I have said to the Commissioner, although it would make for perhaps a little re-nationalisation of agricultural policy, is in some respects if you set a maximum level of capping that any country could go to then you could almost hand it back to the Member State and say, “If you are keeping the money it is up to you how far you go up to a certain level”. It is an interesting idea and I do not know whether she will take me up on it. Then it throws it back to Member State governments and gives them the grief and not the Commission. Whether she will do that or not, I do not know.

Q620 Lord Cameron of Dillington: Co-capping!

Mr Parish: Exactly.

Q621 Viscount Ullswater: If I might add a supplementary to this. Because your committee is obviously looking at the Health Check and the situation of where you have got to after a couple of years of the reform, and you say it is a very conservative committee, are they still wholly behind decoupling?

Mr Parish: Mainly, yes.

Q622 Viscount Ullswater: Mainly.

Mr Parish: Do not forget France has only decoupled this year anyway. Just as an aside, a year ago Dan said to me, “Some French Ministry of Agriculture officials want to see you” and I thought, “What have I done now?” and they wanted to come and see what problems we had had with the Single Farm Payment in the UK to make sure they did not fall into some of the same traps. I wonder if it would have worked the other way around. That is just an aside. France is moving forward now. France has still got suckler cow premiums 75 per cent coupled so there is still a little bit more decoupling to do. There is an argument to have a grassland payment linked to suckler cows or sheep perhaps, but it has got to be a grassland

environmental payment, not a suckler cow or sheep payment. Do not forget, one of the ideas of the reform from a WTO point of view is to take it out of the production box. The Irish are coming up with some interesting plans on this. I am a quarter Irish, so I declare an interest. I am interested in what the Irish do because they are very good at that sort of thing. If we are going to move an agricultural policy towards the environment we have got to remember that agriculture is very much part of the environment and if there are environmental schemes which are good for agriculture and good for the environment we must not rule them out, we have just got to find ways. The Commissioner is keen to get all Member States decoupled and then move the whole thing forward into the modulation of 2010, 2011, 2012 and 2013. That is her role. As far as the committee is concerned, they are reasonably keen on the Single Farm Payment and decoupling, they are not very keen on modulation at all in a nutshell. That is where the committee is.

Chairman: Let us move to modulation and particularly voluntary modulation.

Q623 Lord Plumb: May I say I was interested to hear you say the committee is conservative with a small 'c'. You did not have Barbara Castle to deal with or else it would not have been conservative. She was on my committee a long time ago.

Mr Parish: We have New Labour now. I must not be political here.

Q624 Lord Plumb: They were happy days. One thing you said was not payment on all land and that was an interesting comment. Is that not capping? Do not answer me at the moment, wait a minute. You have made your position quite clear as far as voluntary modulation is concerned and you know, of course, the British Government favours voluntary modulation. They favour everything that is voluntary, of course. I am more interested in your views on the suggestion that has been made that in the Health Check the rural development funds can only be achieved through increased co-financed compulsory modulation involving a two per

cent increase annually from 2010-13. Much of the evidence we have received from so many different bodies and organisations has been, “We have got to take money from Pillar I and put it into Pillar II” and that is where rural development really lies. Our concern is how that is going to be used. If we are going to have some modulation that is going to affect cross-compliance, as of course it can and will, then how does it operate and to what extent is that money used in the rural development area?

Mr Parish: In some ways we are partly putting the cart before the horse. What I think you are saying, Lord Plumb, and I agree with you, is that in some ways we should have proved to us what that money is going to be spent on before it is taken off the Single Farm Payment. Once you get to 13 or 14 per cent you are creating quite a large sum of money and we have got to get that targeted right. I think a lot more of this money, if not all of it, will need to be targeted towards the livestock sector in some shape or form and that is where you can look for special grassland payments. The point I made about payment being targeted, this is after 2013, I am not suggesting up to 2013, but by then we will see in some way how the market is shaping up and we can then see whether we can move that money on to targeting the mountainous areas and everything else we need to target. It is difficult to make that decision now in some ways. I went to a meeting of Polish farmers and others who said to me that the job of the Common Agricultural Policy was to keep every farmer in a farm in Europe. You and I both know that is not going to happen. The huge debate, and this is a serious debate, as we go into 2013 is, is this an agricultural environmental policy or is it a social policy. That is what we have got to watch as a country because there are a lot of the southern and eastern Member States who would like to make it a social policy. I am not against part of it being a social policy but the bulk of it has got to be agriculture environment policy and that will be our big challenge. That is why we have got to watch how this rural development money is spent. One of the comments the Commissioner made during her statement, which when I see

her next week I have got to ask her about, was she talked about the amount of employment on the farms as well. You have got to be ever so careful with that because the fact that you have got a lot of employment on a farm may make you efficient or it may make you inefficient and, like I said, I do not want that to be the only criterion. There are big debates to be had out there. We would be deluding ourselves if we think when we get to 2013 we are going to have enough money to carry on in the same way we are at the moment. I think we would all accept if we can have a good profitable agricultural food sector where farmers are getting the majority of their income from the marketplace and not from public money that would be where I would like to see us. I cannot predict what it is going to be like in 2013 but certainly from the predictions of world trade at the moment in foodstuffs it looks like we are seeing the world drying up, Australia having more difficulty and economies in the Far East improving. The need for food production is there and so I think we might be in a position to be able to be reasonably radical. I repeat, the great debate here is going to be in 2013 onwards: is it an agriculture environment policy or is it a social policy? As you know, Lord Plumb, from your past experience and now with 27 countries and with quite a number of countries coming in with very small farms, it is an even greater debate.

Q625 Viscount Ullswater: Perhaps I can turn to the question of how the Parliament is going to look at the current situation and in the future. As I think the Chairman explained, we are looking at the Health Check and the Budget Review so I would be very interested to hear how you feel the European Parliament tends to approach the matter. Is it going to look at the Health Check in isolation or examine both of these together?

Mr Parish: The Agriculture Committee will certainly look at the Health Check largely in isolation from the budget and then they will seek enough money to be able to pay for whatever they want. I am not being facetious, that is exactly the way they will deal with it. One point I have not raised and I probably should is there are two lines of opinion but the

opinion seems to be if the Treaty is accepted, or the Constitution or whatever you want to call it, by January 2009 the Agriculture Committee will have co-decision powers. If this was off the record I would make another comment but I will not because it is on the record.

Q626 Lord Plumb: You can go off the record.

Mr Parish: (The answer began off the record) I think the committee will deal with the Health Check separately and it will want to negotiate as much money as it can out of the system and it will always be pressing the Council for more money. Being in the chair it is quite difficult for me to say to the Agriculture Committee that we do not necessarily need all that money, we should cut our suit of clothes according to our cloth. That is how it will play. We will play hardball through this session because we know that the Commission want to deal with it by 2008, we know that the French want to put it to bed during their Presidency and we also know that we probably will have co-decision powers by January 2009, so people have woken up to that fact. My view, now speaking as Chairman of the Agriculture Committee of the European Parliament, is that Parliament will be best to negotiate as strong a deal as possible before we get co-decision powers because we might be able to get a better deal for the Parliament before we have co-decision powers rather than after and if we co-operate we can say, "We will co-operate but we want X, Y and Z". That is the negotiation tack I will take.

Q627 Earl of Dundee: Clearly debate over the Budget Review will be pretty intense both inside and outside the European Parliament, the policies will vary and Member States will differ. In spite of that background, what measure of agreement do you believe can still be achieved?

Mr Parish: There will always be an agreement, whether it is one that we particularly want or like, that is the way Europe works. Love or hate Europe, you have got 27 countries and at

least we are all talking and trading together, so that is good news. The bad news is that it is sometimes difficult to come to an agreement but we will come to an agreement. It comes down to fairly blunt politics. In Europe you have got those countries that are paying and those countries that are receiving and the receiving countries will want to push up the budget and the paying countries will want to push down the budget but we will come to an agreement. We will put forward an argument as to what we need for agriculture, rural development, structural funds, research funds, a total budget, and we will sit down and negotiate and an agreement will be had. It will be interesting to see which position the French take this time on agriculture. It is a little bit mixed messages from Sarkozy ---

Q628 Chairman: There certainly are.

Mr Parish: I do not want it publicised but I am going to Paris next Tuesday on the way to Strasbourg to see Barnier and various other French ministers to talk about agriculture and reform and various things. I could probably give you a better answer to where I think the French are coming from then. The French and Germans will still be key players, especially in agriculture, but you have 27 Member States. It was bad enough to get the 15 Member States to agree before, so getting 27 will be difficult but we will get to an agreement, I have no fear. It will be the eleventh hour and burning into three or four o'clock in the morning but an agreement will be got.

Q629 Earl of Dundee: As you have said there is bound to be some late night agreement, we would be surprised if that did not happen. However, a superficial consensus might well simply reflect some degree of horse trading between national finance ministers and that is a bit sad. How might that unwelcome outcome be prevented by the European Parliament and your own committee?

Mr Parish: I do not think we can prevent that at all, to be perfectly blunt with you. What we have got to do is sit down and we will take a view on what funding we believe will be necessary to fund Europe how we believe it should be funded. This is not a personal comment, this is how the Parliament will come to its agreement. The Parliament's aspirations will be greater than those of the Council of Ministers, you can be assured, and the Commission will be sitting somewhere in the middle of all this. There will be quite an element of horse trading but, as I said, I see no alternative. The Budget Committee of the Parliament hopefully will take a much more realistic view on life, I suspect, so there will be a slight convergence there. Eventually the Parliament will come to an agreement and, as I said, our aspirations will be greater than that of the Council. In a nutshell that is the way it is.

Q630 Lord Greaves: You have answered all the questions I was going to ask but could I ask two follow-ups. The fact that some of the focus of negotiation is now going to switch to the need to get an agreed line between the Council and the Parliament, does that process help the Council to get more of a consensus and to work together as a group or does it not work like that?

Mr Parish: I hope it might. You are all politicians, or were, and you sit in the House of Lords, not as political I know.

Q631 Lord Greaves: Don't you believe it!

Mr Parish: Many of you probably sat in the Commons before. Every institution is jealous of its powers. There is going to be an element of the fact that we as MEPs have considered over the years that we have not been treated with the importance that we believe we should have had because we are the only directly elected politicians for the whole of Europe, so to start with there is going to be an element of flexing of muscles and in agriculture nobody quite knows how this will work. It works in environment at the moment, so we will find ways.

The European Parliament, rightly or wrongly, is going to believe that it has got greater powers after this Treaty is in place. From the Council of Ministers' point of view it is going to be perhaps in some ways more difficult to deal with the European Parliament but, on the other hand, they are making big overtures now with the informal councils on agriculture and the Commission services, not only the Commissioner herself, are making great overtures towards me as the Chairman of Agriculture because they see moving into co-decision. If we can work together it might help, but there is going to be some flexing of muscles on the whole thing. It will be interesting to see how it pans out.

Q632 Lord Greaves: Let me assure you the House of Lords is a highly political place, even if we still have loads of hereditaries who are also around the table here.

Mr Parish: You are just a bit more pleasant to each other.

Q633 Lord Greaves: We are very polite.

Mr Parish: You are polite as you are political, that is right.

Q634 Lord Greaves: The second follow-up is to ask you about the Agriculture Committee. Is the small 'c' conservative nature of it built in forever on the basis that these are the people who want to be on that committee and therefore put themselves forward or is there hope that it might become a bit more progressive in the future after the next elections perhaps?

Mr Parish: (The answer began off the record) I am a farmer but I do try and take a slightly broader view. There are quite a number of members on the committee like that but there are also some who take a very narrow view, a very narrow vested view. We have got the wine reform going on at the moment and naturally you have a Spanish position, a French position, an Italian position, and even a British position where we do not want to have anything to do with it because we want to be able to carry on to increase the small amount of wine

production we have got which is successful. You are going to get that position, that is the way it is.

Q635 Chairman: Can I come back to co-decision making. There are two arguments that have come up, not just here but in all the discussions we have had. There is one argument that says co-decision making actually stands a chance of improving reform because at the moment the European Parliament can indulge in gesture politics on agriculture because with the first reading that is it, when it comes to co-decision making it will seriously have to think about priorities and not just within the Agriculture Committee but, as you indicated, the budget considerations riding to the rescue and imposing a more rational prioritisation. That is the pro-reform argument, if you like. The other reform argument is as far as agriculture is concerned the European Parliament is just irredeemable and it means that there will be another means by which protectionist interests can slow the whole process down.

Mr Parish: Heaven forbid that we would have a protectionist instinct, but you are right in some ways that we do. There are those two lines of thought. I would say, and I will stick to my guns on this, I am glad that the reform has gone as far as it has because it would have been difficult to achieve the Fischler Reform. Although you may sit there and say this reform has not gone very far, if you talk to the French and the idea of decoupling away from production, “Non, non, non” and all of a sudden it was “Yes” and they had to go along with it. We have moved a long way with the Fischler Reform but have got further to go. By the time we get to 2009, quite a lot of the reform will be going in the right direction. By the looks of it we will have co-decision powers. Where you are right is it is a bit like when we had to rush through the decision on set-aside and the Commission was late bringing it to the Parliament and some of my parliamentarians were chuntering about this and I said, “Yes, but I am not going to block it because I don’t want farmers to hang us out to dry by saying we don’t know now whether they can plant on set-aside land because the European Parliament held it up”. Co-

decision is a mixed blessing. Yes, you will negotiate a hard deal in the Parliament but if you are seen to be the ones who are blocking it there will be a backlash on the Parliament, which we do not have at the moment because we do not have those co-decision powers. In that respect you might be proved to be right. My experience over the last eight and a half years is we would not have got to the reform that we have now. Every time the Parliament is reformed and the institutions are reformed, Europe gets on with the business. You can argue whether it does it in a great way, a slow way or any other way but in some sort of strange way it works, it gets there. I am not saying it is ideal but it actually gets there. This will work its way through and I suspect it will not be hugely helpful towards reform, but we will see.

Q636 Chairman: I make it clear that I was not advocating a particular line.

Mr Parish: I realise that. As you quite rightly say, some of what I am telling you is what Neil Parish thinks and believes and I have also been trying to tell you where I think the committee and the Parliament will be and those are slightly different positions as you have probably become aware.

Chairman: Thank you very much. It has been enormously useful getting your views on (a) what your committee is thinking and (b) your own analysis as well. That has been very, very helpful indeed, thank you.