

## Challenges and opportunities for European agriculture

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Agriculture is at the nexus of science, economics and politics. If one of these disciplines is lacking or misdirected in the framing of agricultural policy then the sector plunges into instability and potential crisis.

The challenges at the present time are becoming clearer.

The income accruing to the Agricultural sector has been dropping since records began – apart from the occasional “price spike”. This decline is fudged by the conversion of income figures into the return per labour unit employed – which it is assumed falls by 2% a year. But this is almost incidental as the key policymakers for the sector tend to be neither scientist nor economists.

The basic absence of a clear appreciation of the basic economics underlying the sector is a major challenge.

While the basic laws of supply and demand are readily understood, the understanding of the price and income elasticities of demand while very much present in the old Common Agricultural Policy are apparently absent in the most recent models.

Within the space of a generation, European agriculture has gone from serious deficit to comfortable surplus. The potential and sometimes the actual weight of excess production has driven down farmer income and increased societal expectations of not just what can be produced but how it can be produced in terms of a whole range of what used be regarded as peripheral issues.

This capacity to produce is at the base of the challenges facing the sector.

The Nitrates Directive may have been the most contentious in a series of environmental expectations on societies part but EU Agriculture is also expected to be “sustainable” and “competitive”.

Yet GM technology is essentially denied to the EU farm sector and plant protection product legislation is becoming not just restrictive but in cases bizarre as might be expected when food sufficiency is taken for granted; the major challenges are becoming political. The power of codecision with the European Parliament will intensify the dilemmas.

The opportunities lie in the increasing awareness that growing numbers of people and regions are vulnerable to potential or actual food shortage. Europe itself is a bastion of not just political but also of productivity stability. The population is in the main well off with strong purchasing power which in times of stress is safeguarded by generous social welfare payments.

Even at the present stage of the WTO (World Trade Organisation) talks, the region’s Agriculture can be protected from damaging third country imports if the politicians ultimately responsible for setting the operational guidelines for the sector wish to implement the existing mechanisms.

Europe as a region is not the most competitive producer of any single commodity, milk can be produced more cheaply in New Zealand than in Ireland, sugar more cheaply in Brazil, beef more cheaply in Argentina but Europe can produce a range of high quality products that have the potential to be in demand as wealth grows in China and hopefully in Africa as well as satisfying domestic EU demand. European food and drink products like our cars are already occupying prime positions in the US and other high value outlets where quality is valued and paid for.