

CPSA Seminar - Modernisation of agricultural statistics to adapt to changing needs

Plenary opening session, 8 November 2010

Speech by Pekka Pesonen, Secretary General of Copa-Cogeca

Ladies and gentlemen,

It is a great pleasure for me to be here at your seminar to present to you our needs as external users of statistics. May I firstly thank you very much for inviting me.

As the title of your seminar clearly states: agricultural statistics must be modernised in line with the changing needs of the sector.

Community agricultural statistics have accompanied the development of the CAP, as it moved from its original focus on structural measures for modernising agricultural holdings and encouraging production of food by means of guaranteed prices, to focusing on the environment, the development of rural areas and responding to consumers' concerns.

As with the agricultural policy itself, the EU has reached an unprecedented level of harmonisation and development of agricultural statistics, which is witness of the combined effort of European statisticians.

However, in recent years, we have seen a worrying reduction in the quality and quantity of agricultural statistics, as policy changes have been used as an excuse to cut certain data and reduce public expenditure.

As we approach another reform of the CAP and the EU budget comes under scrutiny, Community statistics will not be spared from bearing the consequences of new demands.

I would like to start by telling you what CAP we envisage after 2013 and, as a result, which information is necessary and why. I will also tell you how we expect to use these statistics. After mentioning our requests, I will conclude with some proposals.

Farmers are, first and foremost, businessmen and women whose primary activity is to produce food. They do so whilst respecting the highest environmental, welfare and safety standards.

As entrepreneurs, farmers would like to earn their living from the market. However, at the moment this is not happening. In fact, CAP payments currently make up almost two-thirds of agricultural income. In addition, farming activity provides a range of public benefits, which will never be rewarded by the market.

In 2009, farmers in the EU saw their income plummet by nearly 12%, while in the same year, wages in other sectors rose by 3%. If we also take into account the fact that farmers' incomes were already less than half of average earnings, last year's dire performance deteriorated this gap even further.

The EU has committed itself to a sustainable model of agriculture. The environment, biodiversity, animal welfare, rural development etc. are all noble policy objectives but they add costs to farmers' accounts. If their economic activity is not viable, farmers will go out of business and all the benefits provided by agriculture will be lost with them.

Farmers are being squeezed not only from the cost side. The share of value-added created by the food-chain which actually goes back to agriculture went down from approximately one-third in 1995, to one-fifth in 2009.

How should the new CAP address these challenges?

First of all, production has been increasingly left open to market forces, nevertheless volatility is on the increase. If farmers are to be more market orientated, the market must be transparent, stable and functioning properly. This would not only help farmers to operate more efficiently but also enable them to get a fair return.

Furthermore, in order to improve their income and grasp market opportunities, farmers should be able to benefit from their improvements in efficiency. Correcting the balance of power between the actors in the food chain would allow them to take advantage of the overall value-added created by the sector.

What does this mean in terms of agricultural statistics?

For operators to respond to market signals and make reasoned decisions, market intelligence is a basic necessity. This implies up-to-date, consistent, reliable and accessible data on production, balance sheets and prices.

- Production statistics give a picture of the market and serve as a basis for forecasts. We cannot afford to lose this information just because the CAP has moved away from a production management-based approach. For instance, once dairy quotas expire, the Commission should ensure that regular information on output is available to decision-making bodies as well as market operators.

- Basic information on fundamentals comes from balance sheets. However their quality has considerably decreased and, in their current form, they do not serve their purpose. Market units in DG AGRI have access to this information and produce forecasts, but these are not public nor are they provided in one consistent dataset. Publication of complete balance sheets should be ensured and, if possible, produced in a more timely fashion. They should also include more detailed information on uses of agricultural products.
- I have also mentioned the importance of prices, both output and input prices, not only because of their guiding function for the market economy but also because their *terms of trade* are a good indicator of the evolution in farm income. In this respect, we are facing a new phenomenon: the cost of agricultural inputs is higher than ever before and this is one of the reasons why incomes are falling. I regret that Eurostat is experiencing difficulties in publishing Agricultural Price Indices but it is because of this that we are missing the instruments needed to monitor this new trend.

While agricultural prices are falling, the cost of inputs is rising. Not to mention the price of food paid by consumers¹. The EU urgently needs an observatory on prices and margins in the food chain, to allow price transmission and the distribution of value-added at different levels to be monitored. I know that Eurostat and Member States are working on improving the first design of the tool and I look forward to seeing it fully operational.

Economic data helps to analyse macroeconomic developments on a short-term basis and detect turning points in the economic cycle. But this is not enough: structural data will continue to be needed to understand the impact of changes at farm level.

We need to know the economic situation, competitiveness and productivity of farmers to assess if their activity is profitable and if they can stay in business. How else could we assess the effects of high input prices on farm structures?

Information on employment is also necessary to observe inward and outward flows from the sector and to check if agriculture is managing to attract new generations of farmers.

We are not putting forward requests just for the sake of collecting data. Copacogeca already uses Eurostat data to conduct its own market analyses, which we communicate to our members. In this way, we make sure that information gets back to farmers. In addition, we also assess our own policy requests.

¹ In real terms, since 2003, the average annual fall in production prices for outputs has been 2.1%, whereas agricultural input prices have increased by 0.7% and consumer prices in general by 2.5%. Source: Eurostat.

In general, we are very much in support of Eurostat's work as it provides valuable EU-level information not only to farmers but the whole food chain.

I am very concerned by rumours I have heard recently about the Commission's intentions to cut back on certain statistics.

The need for existing statistics is still there. As an example, Eurostat used to publish monthly absolute prices for agricultural products and inputs but this was stopped in 2006. Recently, the crisis in the dairy sector served as a wakeup call, resulting in a request for this information to be reintroduced and the level of detail to be improved. However, we now find ourselves with a four-year gap in statistics and have undermined the consistency of price series.

This means we cannot work in the wake of a crisis, especially when we consider that there have been two food crises in only four years. Information should be regularly released and monitored, to detect turning points and to sound the alert.

New demand for statistics should result in supplementing and not substituting what we already have. Let me stress that Eurostat should take the lead in this process for several reasons. Greater volumes of data are often available faster from administrative sources. However, only Eurostat can ensure quality, harmonisation, ex-post checks and collection in a single, consistent database.

Before concluding, let me tell you how we too could help you in your work. Farmers are not only users but they are also suppliers of data. In this respect I believe that we should use all possible new means of data collection. Most of the farmers know very well that by providing information to statistics, we can also ask for something in return, helping us in our business plans. This means the information flow between us and the Commission works in a cycle. I believe that Copa-Cogeca could not only bring you quantitative data, for example, information on private stocks, but also qualitative input to help understand and complement statistics.

As a member of the Stoiber Group I particularly welcome initiatives to lighten the administrative burden that farmers are facing. Applying the principle of collection of data only once would already help us considerably.

To sum up, the evolution of the CAP has meant fewer requirements for administrative data. However, policy makers still need to evaluate policy and assess their impact. Moreover, as business choices are increasingly driven by the market, farmers need more market intelligence than ever before.

I am well aware of the difficulties in meeting the greater need for data in terms of quality, quantity and timeliness. From our side, and as we said at

this very same seminar one year ago, we are willing to contribute and we wish to continue the dialogue between the producers and users of statistics.

Thank you for your attention.