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It is a great pleasure, and indeed an honour, to have been asked to give a review over Norwegian agricultural policy at this annual meeting of the European Arable Farmers Club. First I am going to give you some facts about Agriculture in Norway. Norwegian agriculture is facing both disadvantages and advantages compared to other countries, first and foremost caused by the arctic and sub arctic conditions in our country. Then I am going to focus on Agricultural policy, and challenges in the future. Examples are the WTO negotiations, the need of structural changes in the production of traditional agricultural goods, and developing new products and services based on the total resources of the Norwegian agricultural.

Facts about Norwegian Agriculture

Norway is the northern-most country in Europe. Its mainland extends from 58 to 71 degrees North. This is a total distance of about 1 750 km, which is more than the distance between Oslo and Rome. The population density is only 13 inhabitants per square km, the second lowest in Europe.

Arable land represents only 3% of the total area of Norway, and only 1% is suitable for production of cereals. The average farm size is about 12 ha arable land. The average field size is only 1,5 ha, and nearly 20 per cent of the agricultural area has a gradient exceeding 1:5. Dairy farms have an average herd of 12 cows. The number of farms in Norway has decreased from 150 000 in 1969 to 60 000 in 2002.

The Norwegian policy of promoting livestock production in less favoured areas has been an important instrument in food security policy and regional policy. This policy has resulted in a concentration of cereal production in the best agricultural areas. A large extent of the

agricultural output, mainly livestock production, is carried out in areas where there are few alternative means of livelihood.

The main productions are dairy and meat products, cereals and temperate fruits and vegetables. About three quarters of farm income is derived from livestock production and one quarter from crop production. The production is almost entirely destined for the national market and plays an important role in ensuring national food security, sustaining the viability of rural areas and safeguarding certain environmental qualities.

The arctic and sub arctic conditions in Norway are characterised by harsh climate and low temperatures. The growing season is short, and varies between 100 and 190 days, depending to a large extent on latitude. The indoor period for livestock varies from about 230 to 290 days a year. Despite tough conditions - we want farming and husbandry to take place in the entire country.

In Norway, although agriculture only contributes to approximately 4 % of the total employment at the national level, it is a main employer in many rural communities. As a result of upstream and downstream linkages, agriculture contributes to substantial employment in other sectors. Agricultural employment is gradually decreasing, and substantial efforts have been made to diversify the economy and generate alternative employment opportunities in the rural areas. This is of great relevance, as several rural communities have critically low population levels.

Most of these regions are not able to compete in worldwide markets. Production costs are high compared to most other countries. All the disadvantages stemming from a harsh climate, a short growing season, long distances, a difficult topography, a low population density and a small-scale structure, combined with the generally high cost level, result in a low degree of competitiveness at world market prices.

Agricultural policy - history and challenges in the future

From the day the Ministry of Agriculture was launched, its responsibilities were far-reaching. In addition to pure agricultural affairs, forestry, veterinary affairs, and agricultural education

were important issues. The responsibilities have become increasingly diverse, broad-based and public-orientated.

The Ministry has been closely associated with the emergence of regional issues in the politics, as well as issues of environmental protection. Food quality, public health and research have become equally important items as the development and the administration of our agriculture. The Ministry - previously essentially handling trade and agricultural affairs - today appears as a modernized ministry, placing its consumer policies on a par with those for trade and industry.

Moreover, measures in the agricultural sector are not only based on income considerations, but aim first and foremost at ensuring a sufficient level of public goods, such as food security, high standards of plant, animal and public health, viability of rural areas, sustainable growth, environmental protection, agro-biological diversity, cultural heritage and land conservation, demanded by the society. These additional functions cannot be disassociated from agricultural production activities themselves. We are talking about the multifunctional agriculture. The total effect of agriculture's various functions represents its total contribution to society. The Government believes that an attractive agricultural industry and active food production in all districts of the country constitute an important platform for the satisfactory achievement of major social goals.

Agriculture is becoming increasingly subject to international framework conditions. In an international context, the Government will seek to ensure sufficient flexibility and room for manoeuvre to safeguard an active national agricultural policy, which provides a basis for farming in all districts of the country, for a competitive food industry, for safe high-quality food, and for good plant and animal health.

The WTO negotiations

As I have pointed out, Norwegian agriculture is facing various challenges, and the Government is thus focused on domestic reforms to meet these challenges. Specifically, we are working on cost-savings in order to promote a more robust and competitive agriculture. Structural changes are underway, and fewer and bigger farms will ensure future agricultural production in Norway. Having said this, agricultural production in Norway will always be small-scale, compared with the most competitive world producers, and we have permanent

handicaps relating to our climate, topography, structure, as well as general cost levels. Norwegian agriculture will therefore always be dependent on support and protection.

Bearing this in mind, the ongoing agricultural negotiations in the World Trade Organisation (WTO) is of outmost importance to Norway, and we give top priority to these negotiations.

Throughout the negotiations Norway, together with amongst others the EU, has emphasised that agriculture is not merely an economic sector. Agriculture also contributes to safeguarding a number of non-economic or non-trade concerns, such as food security, the viability of rural areas, cultural heritage and identity and environmental benefits including bio-diversity and agricultural landscapes. As a result, agriculture is multifunctional and should because of these unique characteristics continue to be treated separately within the multilateral trading system. It is therefore essential to acknowledge the right of every country, according to mutually agreed rules, to secure the viability of its agricultural sector.

Because of its unique characteristics, agriculture cannot be left to the market forces alone. I believe completely free trade in agriculture would only benefit a smaller number of very competitive traders, while the agricultural sector of a large number of low-potential developing and developed countries with disadvantaged and unfavourable production conditions would face serious difficulties and in some countries even collapse. Therefore, the WTO reform process cannot be based on a one-size-fits-all approach. Due consideration must be given to countries' different situations.

According to mutually agreed rules, every country should be granted flexibility in national policy design to foster domestic agricultural production necessary to address domestic non-trade concerns, based on each country's production conditions and potentials, policy objectives and historical and cultural background. Legitimate and valid non-trade concerns of a multifunctional agriculture should be fully recognised and adequately addressed while trade-distortions are minimised.

On this background Norway has made the following specific proposals on further reduction commitments:

- On market access Norway has suggested a 36% *average* tariff cut, with a *minimum* of 10% pr. tariff line. As to tariff quotas, we have suggested a continuation of existing volumes.
- On domestic support, we believe that the Green and Blue Boxes should be continued without any caps or other restrictions. (The green box is support which have no or minimal effects on production and trade for example environmental programmes, while the blue box is direct payments under production-limiting programmes for example area support) We stand ready to substantial reductions of Amber box support, provided that non-trade concerns are duly taken into account. (The amber box is direct payments linked to production, for example market price support)
- In order to target the most trade-distorting part of the Amber support Norway has proposed to differentiate the amber box reductions according to the export orientation of the products concerned. The home-market oriented amber box should in our view be subject to a 20% reduction rate while the export-oriented amber box would be reduced by a 60% reduction.
- On export subsidies, we have proposed to reduce such subsidies by an *average* of 60%, provided that all forms of export competition measures are subject to the same degree of discipline.

I would like to stress that we are attaching vital importance to our market access positions. We have little room for manoeuvre in this area. Domestic support is our second priority. As to export competition measures, Norway will be able to show considerable flexibility, provided that our interests are being met on market access and domestic support.

The deadline for agreeing on further commitments on agriculture was set by ministers in Doha to be the 31 March this year. Negotiators in Geneva have failed to meet this deadline. This was unfortunate, but not unexpected. A variety of proposals have been presented revealing a huge disparity in the level of ambition among Members. In our view the Cairns group countries (17 countries; amongst others Australia, Canada, Argentina and South Africa) and the United States must bear a major part of the responsibility for the failure. These countries have tabled unrealistic proposals, which would have seriously negative effects on agriculture in a majority of the WTO Member states. Far more realism is needed from the Cairns group and the US if we are to reach an agreement. There is a need for these countries

to acknowledge that a future deal will have to be acceptable to all, including countries like Norway who will have to shoulder the heaviest burden.

It is also Norway's view that the draft modality paper tabled by the Chairman, Mr. Stuart Harbinson, lacks the basic characteristics of a compromise with which all Members can live, and it does not take non-trade concerns into consideration in ways that are consistent with the Doha mandate. In particular the proposed provisions on market access would leave us without sufficient protection for our key agricultural products, and would thus have dramatic consequences for Norwegian agriculture and our ability to safeguard vital non-trade concerns. This is not what we were prepared for when we entered into this reform process. It is Norway's view that fundamental changes are needed in the draft modality paper to establish a fundament for further negotiations.

In our opinion, these negotiations are not about mathematical compromises. It is about making commitments in "an equitable way among all Members", to quote the Preamble to the Agreement on Agriculture. It is about a careful balancing of the political sensitivity that characterises the agricultural sector of individual Members, a sensitivity that is not evenly distributed among the Membership. It is about establishing an agricultural trading system that is fair to all, exporting as well as importing, developing as well as developed Members.

Finally, I would like to underline that Norway appreciates the close cooperation we have with the EU in these negotiations. Although we have some diverging proposals when it comes to the figures to put into the reduction formulas, we have concurrent views on the overall approach and the necessity of taking non-trade concerns of agriculture duly into account when establishing new modalities.

Vitalization of the countryside

Promoting the economic and social viability of rural communities is considered an important policy objective. And as politicians, we have had a vast combination of economic, legislative and administrative measures - as well as training, education and research - at our disposal.

We recognize that innovation is the key to increasing the dynamics of today's rural economy. This is our aim - to create a new policy for a new time. We should vitalize the countryside.

To reach these goals, it is of course fundamental that people still can make their living there. And in that context I am not only thinking of what we might call traditional rural activities. All kinds of trade and activities in rural areas should be promoted - not purely the agriculture.

An increasing number of people want to spend their lives outside the busy cities - due to the qualities life in rural areas offer - make their living - but they don't necessarily want to farm ... Let me quote my minister, Lars Sponheim: 20 acres and IT is as good as 100 acres and cows.

An effective and modernized agriculture

Nevertheless - an effective and modernized agriculture still have to play the most crucial part. To meet the needs of the modern society, agriculture shall:

- produce safe and healthy food of high quality in the light of consumer preferences
- produce other goods and services in accordance with the sector's overall resources
- produce public goods as viable communities and environmental and cultural benefits
- secure sustainability and a long term food security

We want to make agriculture not only competitive, but also socially relevant in a way that can be a response to the onward march of globalisation. We know that development in agreements concerning international trade, as well as the amount of economic resources society are able to put into agriculture, are limitations for the traditional measures used in agricultural policy.

We still have to face structural changes in the production of the common agricultural goods. The possibilities for developing new sources of income lay within other production activities.

Essentially measures should be based on the following principles:

Farmers should resume their role as businessmen.

Farmers should be suitably rewarded for the services they perform for society.

Farmers should spend the bulk of their working day in the field, and not filling in forms.

We should make farmers more competitive and promote a more market-oriented production. Farmers should utilize the market - not only the agricultural agreement. It is time to reform our policy tools so as to best serve the interests not only of farmers, but also of other citizens.

Far from leaving farming, farmers would be more likely to switch - at least in part - to new, more profitable products. Instead of following the product or animal specific subsidy signals, farmers' decisions would be increasingly directed by the market conditions.

Hopefully farmers' incomes would rise as a result of a more efficient allocation of the public economic resources and for producing what the consumer want. This is not a gamble anyway, but a calculated risk, one that aims to give farmers the returns they deserve from our policy, and to give the public the return they demand on their investment. This has increased the efforts to develop new agricultural-based ventures. Examples are development of tourist facilities and new products of food.

Increasing the value creation in the food sector

One important aim of the modernized policy is to make farmers add value to their products. In addition to, or instead of, producing raw materials for the bulk market, they should process their raw materials into products that are paid a better price. Regional food branding makes consumers more interested in the origin of food, helping to improve their understanding of the rural economy and rural community issues.

Regional food is food produced within a particular area, marketed as coming from that area. However, it may be sold either within or outside that particular area. The product is perceived to have a distinctive quality because of the area in, or the method by which, it is produced.

Examples of cases where such quality criteria would be satisfied include:

- organic or ecologic production methods;
- protected status, i.e. denominations of origin or certificates of specific character in accordance with the relevant regulations;
- adherence to a quality assurance scheme whose criteria exceed the legal requirements, i.e. animal welfare schemes, hygiene schemes, traceability schemes.

It is increasingly important to promote sustainable and adaptable farming through domestic and international actions. We would like to see an increasing number of local food producers, more employees, a faster turnover and last - but not least - an increased market share.

As a response to some of the challenges I have mentioned, a national programme for value creation in the food sector was started in 2001 in order to develop the production of high quality food. In 2001, NOK 100 mill were canalised from the agricultural agreement into the programme. In 2002, the budget increased to NOK 140 mill. The programme is planned to last ten years.

Through its strategies, which in the first section of the programme are connected to regional development and food culture, the aim of the programme is to support local farmers and the processing industry in their development of high quality food that gives an increased income. At the same time the programme is supposed to broaden the selection of Norwegian food, being competitive by their qualitative attributes rather than being competitive on price alone. Six strategic areas were defined within the first section of the programme:

- Developing new products and enterprises.
- Developing distribution and market channels.
- Building entrepreneur competence in the primary production and food industry.
- Building entrepreneur networks.
- Establish a national legislation for protected food products based on geographic origin, tradition and speciality (Similar to Regulation (EC) no. 2081/92 and 2082/92).
- Examine the institutional framework influencing entrepreneurs in the food sector.

As early as July last year the Government passed a new regulation on Protected Designation of Origin, Protected Geographical Indication and Traditional Speciality Guaranteed. These regulations are important to achieve our objectives of increasing value creation in the food sector.

Food safety and quality issues are of increasing concern to modern consumers and citizens. Consumers not only expect food to meet their nutritional needs, to be wholesome and tasty. They expect food to be produced and processed in accordance with good farming practices, with greater respect for the environment and for the welfare of animals. This is one of the reasons the government has emphasised welfare of animals in Norway, which has resulted in a white paper to the Parliament pointing out our future policy for welfare of animals. The Ministry of Agriculture shares the responsibility for shaping the food policy and for management of foodstuffs from production until delivery to the consumer with the Ministry of

Fisheries and the Ministry of Health. The Government has initiated an extensive programme to simplify and improve the statutory framework and its supervision. A clarification of the responsibilities of the three ministers is also underway.

Modern consumers also expect to be able to choose amongst a wide variety of food. Sometimes they need fast food - a hot dog or hamburger when running to catch the next bus, sometimes they want a convenient dinner directly from the micro-wave before going training, and sometimes they want to sit down with their family or friends enjoying a subtle dinner.

The most important competitive advantage of food from the Nordic countries is that it is safe, due to our standards of public and animal health and our clean and unpolluted environment. My prediction is that safe food and sustainable production combined with Nordic traditions, can pave the way for successful entrepreneurship - if we are willing and able to employ it.

These efforts to increase the value creation in the food sector will be extended to all areas of the food and agricultural policy. The objective is among others to coordinate the different economic, and legislative measures affecting the self-employed farmers. The project is called "Landbruk Pluss" in Norwegian, and refers to the number of possibilities of developing new products and services based on the resources in the areas of agriculture and agricultural products.

I am aware that we all have a lot of work to do. We should recognize that the measures of the past don't solve the challenges of the future. So is life - so is research - and so is politics, too. Still, I think that we are lucky to have unique possibilities - the main task is to utilize them.

Thank you for your attention. I wish you all the best - and good luck with the conference.