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**NOTE**

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From:	Presidency
To:	Delegations
Subject:	Informal meeting of the Agriculture Ministers in Milan <b><i>"How can EU agriculture contribute to the food security challenge"</i></b>

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Delegations will find attached a working document prepared by the Presidency on the abovementioned subject, with a view to discussion at the Informal meeting of the Ministers of Agriculture in Milan on 30 September 2014.

**(BACKGROUND DOCUMENT FOR THE INFORMAL AGRIFISH COUNCIL, 30.09.2014)**

**HOW CAN EU AGRICULTURE CONTRIBUTE TO  
THE FOOD SECURITY CHALLENGE**

The challenges of the 21<sup>st</sup> century are complex, interconnected and mostly related to the envisaged growth in world population for the next decades. In less than 40 years the world population will increase by over 2 billion people and hunger, malnutrition and poverty risk are expected to enlarge their magnitude together with the environmental emergencies arising from the enhanced pressure on natural resources.

Food security occurs when all people, at all time, have access to sufficient, safe, affordable and nutritious food for a healthy diet.

Currently, **805 million people**, or around one person out of nine in the world, are **suffering from chronic hunger** and 500 million people have no access to safe water.

The concept of food security extends beyond these shocking figures. Food (in)security has historically been and still is both one of the main causes of civil unrest in many areas and one of the main factors influencing patterns of human migration. It is also a concern for the developed world, especially in times of economic crises. Only in Europe around 50 million people are suffering from material deprivation and less than half have been provided with food aid.

The debate surrounding food security has recently been fuelled by consecutive peaks in agricultural commodity prices in 2008 and 2010/11. Food price inflation threatened the achievement of the Millennium Development Goals (MDGs), expanding the area of risk of food insecurity. Although concerns about food price volatility quickly climbed high on the global policy agenda, the implementation of tools to prevent and mitigate the effects of the so called “price crises” on a global scale is still a pending issue.

At the core of the growing concerns for the future of the world food security there is the imbalance between growth and available natural resources. By 2050 the population of the planet will increase by one-third, with the largest increases in the low-middle income countries. At the same time the rapid economic growth in the emerging areas will lead the convergence in dietary patterns. The growth of the world population combined with changing lifestyles of a significant part of it are at the basis of the increasing demand for food, energy and water.

Though to different extents, the worrying global trends are somehow felt in the EU as well necessarily implying that **food security cannot be taken for granted**. Between 2008 and 2012 the share of population unable to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day has increased reaching about 11% of total EU-27 population in 2012. Over the same period the share of people at risk of poverty has increased in more than half of the EU-27 Member States.

## 1. CHALLENGES IN ENSURING GLOBAL FOOD SECURITY

- *Population is both growing and rapidly changing in its socio-economic structure, including dietary patterns.*

According to UN estimates, by 2050 the world population is likely to be as much as 9 billion. This predicted growth is not surprising in relative terms (it is well below the relative growth seen in the past 40 years) but it is extremely relevant in absolute terms: the planet will see 2 billion more people and the largest increases will affect developing regions, specially sub-Saharan countries where population is expected to double by 2050 and where the risk of increasing population with inadequate access to food is considerable. Furthermore, the urbanization process will be continue and by 2050 the part of world's population living in urban areas will exceed 70% compared to current 50%. This process will affect in particular emerging areas and will be associated with further changes in dietary patterns, predominantly pushing for a growing demand for livestock product.

- *Pressure on land is increasing.*

The growth experimented both in population and in its part living in urban areas has led to a dramatic reduction of per capita available agricultural land, decreased by over 50% in the last 50 years. Furthermore, the extra demand for crop-based biofuels have partially contributed to an

increased demand for land. On the other hand, the process of urbanization results in the abandonment of agricultural land in some parts of the world. In this context concerns about domestic food security in some high- and middle-income countries are also raised, producing an increasing interest in investing in agricultural resources around the world.

- *Environmental and natural resources degradation- threats to biodiversity*

There is an increasing pressure on soil and water resources that are consumed at a rate considered to be unsustainable. At the same time climate change is driven by increasing air pollution. Agriculture is involved in these dynamics in several ways: depleting soil health, consuming large part of available water, threatening biodiversity, producing a relevant amount of GHG emission. In addition, both frequency and intensity of adverse weather events have increased in the past decades, leading towards irreversible environmental changes (e.g. the expansion of desert areas). Genetic resources and biodiversity too, poses a severe threat to the world's food security in the long term. The role of genetic resources, including neglected and under-utilized species, in providing an appropriate diet to the global population, is under-explored.

- *The expected increase in prices and market volatility*

The prices of the main agricultural commodities are expected to rise in the coming decades, with the risk of enlarging the number of people living in poverty conditions. The chances to prevent this scenario are strictly linked to the capacity of increasing agricultural productivity at global level over the next years. Nonetheless, the world is currently experiencing a period of high volatility in agricultural and food prices. The increasing uncertainty frequently feeds alarms, fueling trade reactions and exacerbating the intensity of the market events. The expected growth in market volatility is linked to a complex set of connected causes, including the growing agricultural dependence on fossil fuels, the increased impact of weather shocks in agriculture production, the trade reactions in case of risk of food shortage, the role played by speculation and geopolitical risks. Increase in food prices means a higher risk of food insecurity for many poorest countries characterized by high dependency on food import.

## TAKING STOCK OF EXISTING POLICY INSTRUMENTS

Food security has been among the **top priorities of the international agenda** for a long time - having prominently been translated into the 2000 Millennium Development Goal 1 (MDG1) aiming, among others, to halve the proportion in the total population of people suffering from hunger between 1990 and 2015. The last data indicate a positive trend towards this objective, with a reduction of the number of hungry people of 26 million in the last years. However, there is still a lot to do, given the high number of people still undernourished and the high rate of population growth.

Recently the G20 has launched an Action plan on food price volatility and agriculture which led to the set-up of the **Agricultural market information system** (AMIS) in order to gain quantitative and reliable information on agricultural markets.

In particular, it must be recalled that the Action-Plan on food price volatility and agriculture (2011 Paris summit of G20) recognized five main objectives:

- improve agricultural production and productivity both in the short and long term in order to respond to a growing demand for agricultural commodities;
- increase market information and transparency in order to better anchor expectations from governments and economic operators;
- strengthen international policy coordination in order to enhance confidence in international markets and to prevent and respond to food market crises more efficiently;
- improve and develop risk management tools for governments, firms and farmers in order to build capacity to manage and mitigate the risks associated with food price volatility, in particular in the poorest countries;
- Improve the functioning of agricultural commodities' derivatives markets (objective to be pursued through the work of Finance Ministers and Central Bank Governors).

The EU has been strongly involved in the 2014 UN International Year of Family Farming considering that on the one hand small-scale farming is dominant in developing countries and that the majority of EU farms are family businesses.

The EU's strong and continuous commitment to this and other initiatives is not only reflected by its active participation on the international level but also by making a substantial contribution in financial terms.

In the framework of different G8 activities, the EU fully lived up to its G8 L'Aquila commitments to global food security in 2010-2012 by pledging a further EUR 2.7 billion on top of its EUR 1 billion Food Facility and pledged USD 125 million in support of the G8 New Alliance's enabling actions (including land issues and nutrition).

The EU also makes its own efforts in development cooperation. Through the European Development Fund the EU spends around EUR 1 billion every year on food security and adopted a policy framework for food security in 2010<sup>i</sup> - followed by several relevant initiatives e.g. on nutrition or resilience - as well as the 2013 plan operationalising recent policy commitments<sup>ii</sup>. The EU reinforced the political dialogue at national and international level aiming to ensure that food security and nutrition are considered a national priority in countries with high food insecurity rates.

In addition, sharing of relevant knowledge to ensure food security is high-up the EU's policy agenda as shown by the activities with southern neighboring countries in the framework of the European Neighborhood Programme for Agriculture and Rural Development. On the occasion of the Fourth EU-Africa Summit in April 2014 the EU also agreed to support - in the framework of the New Partnership for Africa's Development - the Comprehensive Africa Agriculture Development Programme to ensure a better functioning agriculture market and region-wide food security.<sup>iii</sup>

In terms of development funding, the EU is also giving prominence to agriculture, reversing the global trend of many years of under investment and under-engagement. The sector has been chosen, together with the countries concerned, as by far the priority sector for development assistance in the period 2014-2020.

## 2. THE ROLE OF THE EUROPEAN AGRICULTURAL POLICY

The EU is currently a net exporter of agricultural products, EU agricultural exports reached EUR 120 billion in 2013. This result is due to the EU's focus in agricultural exports, especially of final products (for direct consumption), that represent two thirds of European total external sales. However, at the same time, the **EU remains the first agricultural importer in the world**.

To this regard, during the last 50 years, the **Common Agricultural Policy (CAP)** has been the key answer to deal with the question of ensuring enough food supply in the EU. Indeed, Article 39 of the Treaty on the Functioning of the European Union anchors the increase of agricultural productivity, market stabilization and the assurance of availability of supply and supplies at reasonable prices to consumers – together with a fair standard of living for the agricultural community which is a prerequisite for a viable agricultural activity - as the CAP's core objectives.

These main objectives of the CAP have remained relevant over the years and are also reflected in the primary objectives of the CAP 2014-2020, namely **viable food production**, a sustainable use of resources and balanced territorial development across the EU.

Given the foresaid, the new CAP provides for a common framework at the EU level addressing food security based on several instruments acting in an integrated way: be it targeted and greener direct payments, which pay particular attention to the next generation of farmers and Member States specificities, revised market measures for a better risk and crisis management and a strong support for rural development – all these not only ensure the economic viability, but also contribute to a more competitive and sustainable agriculture across the EU and, thus, to efficiently and effectively face the multiple challenges linked to food security.

The CAP has also evolved especially over the last two reforms to meet domestic objectives while minimizing potential distortive external impacts. In particular, export refunds were reduced to zero in 2013, and are only considered as an instrument to be used in exceptional market crises. Direct support to farmers has replaced commodity-linked payments to the extent that the CAP is now considered by independent analysis to be essentially non market distorting.

The new CAP also acknowledges that agriculture is changing and the required know-how is bringing about an imminent need for innovative farming practices. The new rural development policy includes the European Innovation Partnership for "Agricultural Productivity and Sustainability" which brings together farmers, researchers, businesses, NGOs and other actors to speed up the transfer of relevant research results into practice and provides for further support measures for innovative projects. The EU also allocates the substantial amount of EUR 3.83 billion to multinational agricultural research in food security, sustainable agriculture and forestry, marine, maritime and inland water and the bio-economy under its Research and Innovation Framework, Horizon 2020.

Moreover, the EU already established in 1987 the "Food Distribution programme for the Most Deprived Persons of the Union" that became an important source of food aid to the most deprived persons, in 2011 alone it supported almost 19 million people across Europe. This task was recently handled over to a specific Fund for European Aid to the Most Deprived under the EU cohesion policy with a financial allocation of over EUR 3.8 billion for 2014-2020<sup>iv</sup>.

### **3. WHERE TO FOCUS IN THE FUTURE?**

At global level, arrangements are ongoing for the definition of the post-2015 policy agenda willing to come up with a single development framework containing both the sustainable development agenda (as per Rio Conference on Sustainable Development in 2012) and the post Millennium Development Goals agenda.

It is imperative to use this window of opportunity to pave the way for ensuring food security at a global level which will require major efforts over the coming months and years, starting with the inclusion of agriculture and food security among the possible targets and goals for the new framework post 2015. The EU remains highly committed – in particular in light of the fact that 2015 is the EU Year for Development and, hence, it is important better communicate the importance of sustainable agriculture and food and nutrition security in the EU's development policy context.

At the same time, the EU has itself arrived at a cross-road. Indeed, the key political priorities and orientations on growth and employment will be essential in addressing food security in the EU.

Moreover, our dietary styles turn into increasing amount of food waste and are responsible of rising burdens on public health. This requires an holistic approach, able on one hand, to improve agricultural productivity and reduce environmental impacts, on the other to reduce waste and promote healthier diets.

In this context there is the need to focus the attention on the field of research and innovation (and its translation into effective innovative and sustainable approaches) and on building a coordinated framework of national and European policies.

In this regard, the next Universal Exposition taking place in 2015 in Milan on the theme "*Feeding the Planet, Energy for Life*", will focus the world's attention on the most pressing global challenges of our time, and will offer a great "open" opportunity for sharing knowledge on the Expo theme, in the target year of the MDGs.

The next months are also crucial for an efficient and effective implementation of the new CAP - a precondition for making its contribution to food security - as well as for the ongoing revision of the new legal framework for organic production and for a joint school scheme for milk, fruits and vegetables which individually already today provide healthy products to millions of children every year.

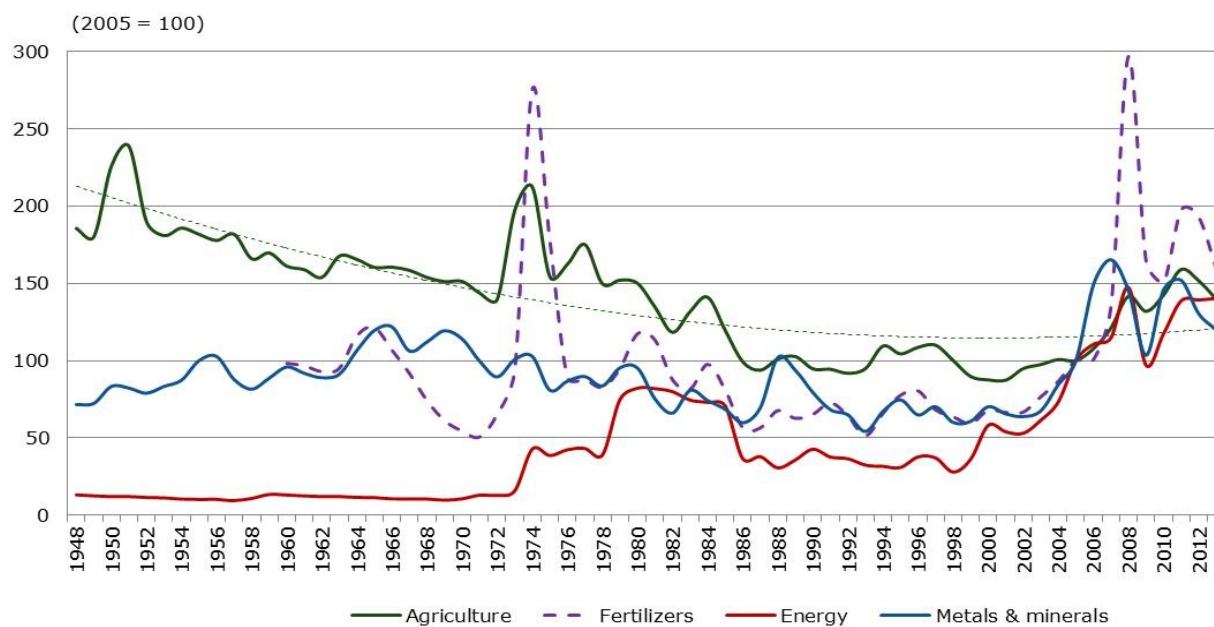
To conclude, there is a strong need to ensure coherence, complementarity and coordination of the different EU policies with a view to address food security in all its aspects in an efficient and effective way, both on the global level and within the EU.

#### **4. QUESTIONS FOR THE DISCUSSION**

- 1. What have been the main challenges for food security at the global and the EU level? Will these remain in the period beyond 2020 or will new ones emerge?***
- 2. Which of the existing policy instruments have been successfully addressing the challenges? Why? In particular, is the CAP appropriate to tackle the food security issue?***
- 3. What should be done at the EU level and what at the global (multilateral) level in terms of future policy instruments to address the challenges? And what is the sequencing of the measures that need to be introduced beyond 2020?***

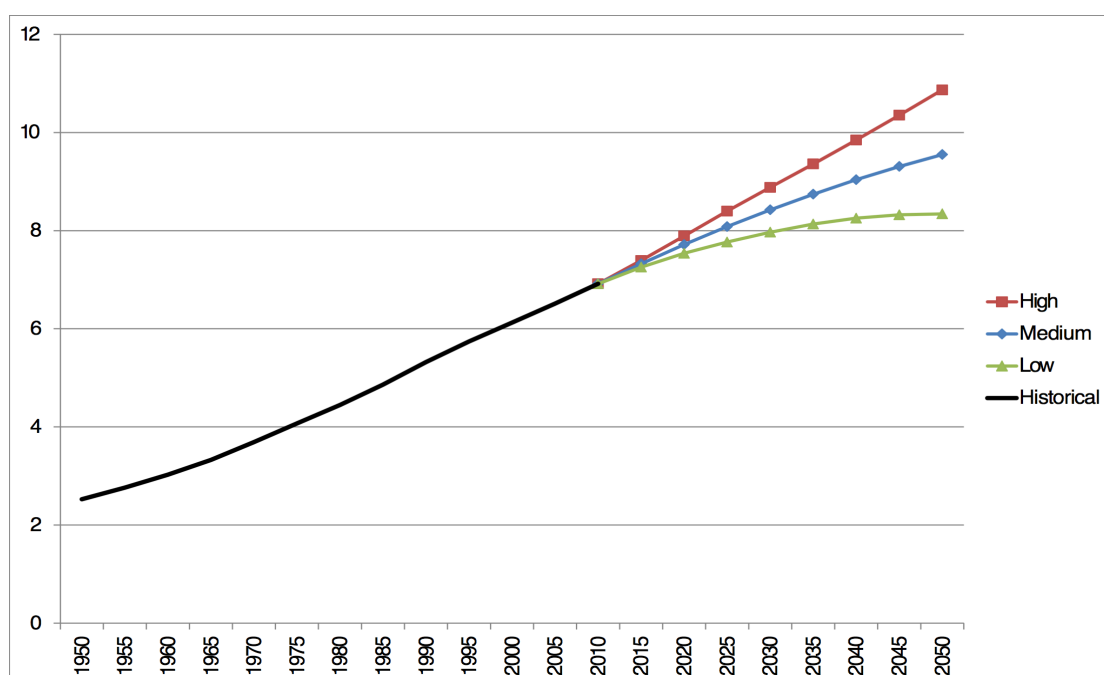
## Annex

**Graph 1. Long-term price developments – annual real commodity price indexes**



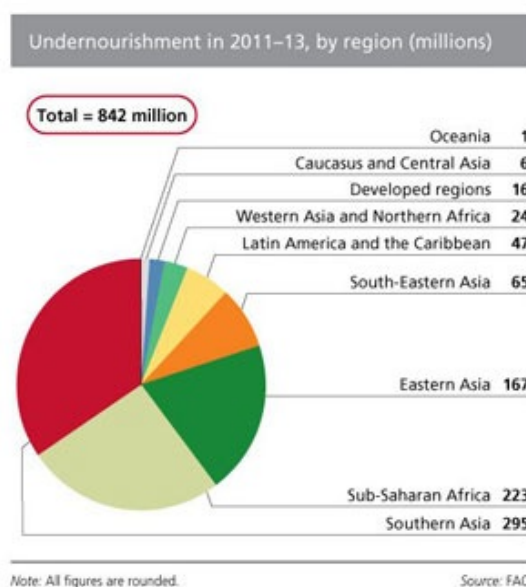
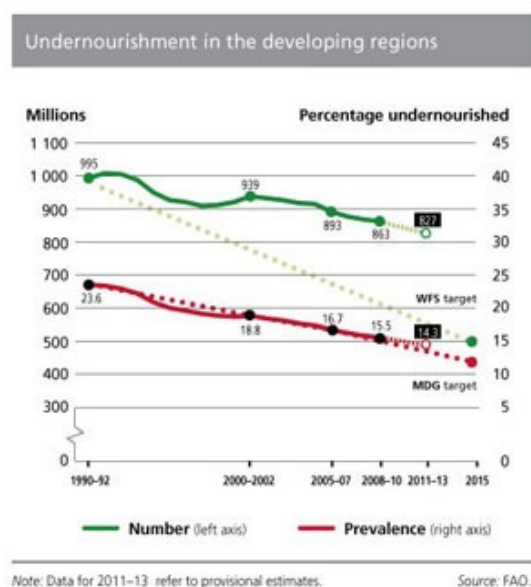
Source: World Bank

**Graph 2. World population projections**



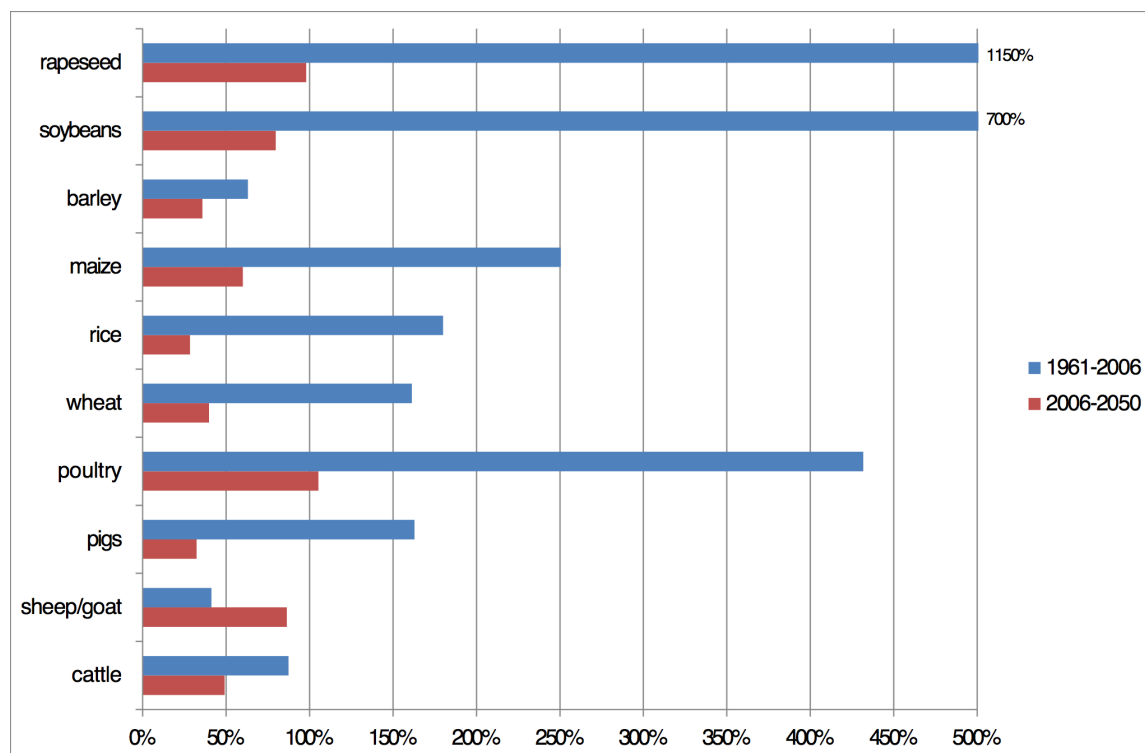
Source: UN, revision 2012

**Graph 3. Undernourished people**



**Graph 4. Past and projected increase in supply for agricultural commodities**

% increase between 1962 and 2006 vs. 2006 and 2006 and 2050



Source: FAO World agriculture towards 2030-2050 – 2012 update

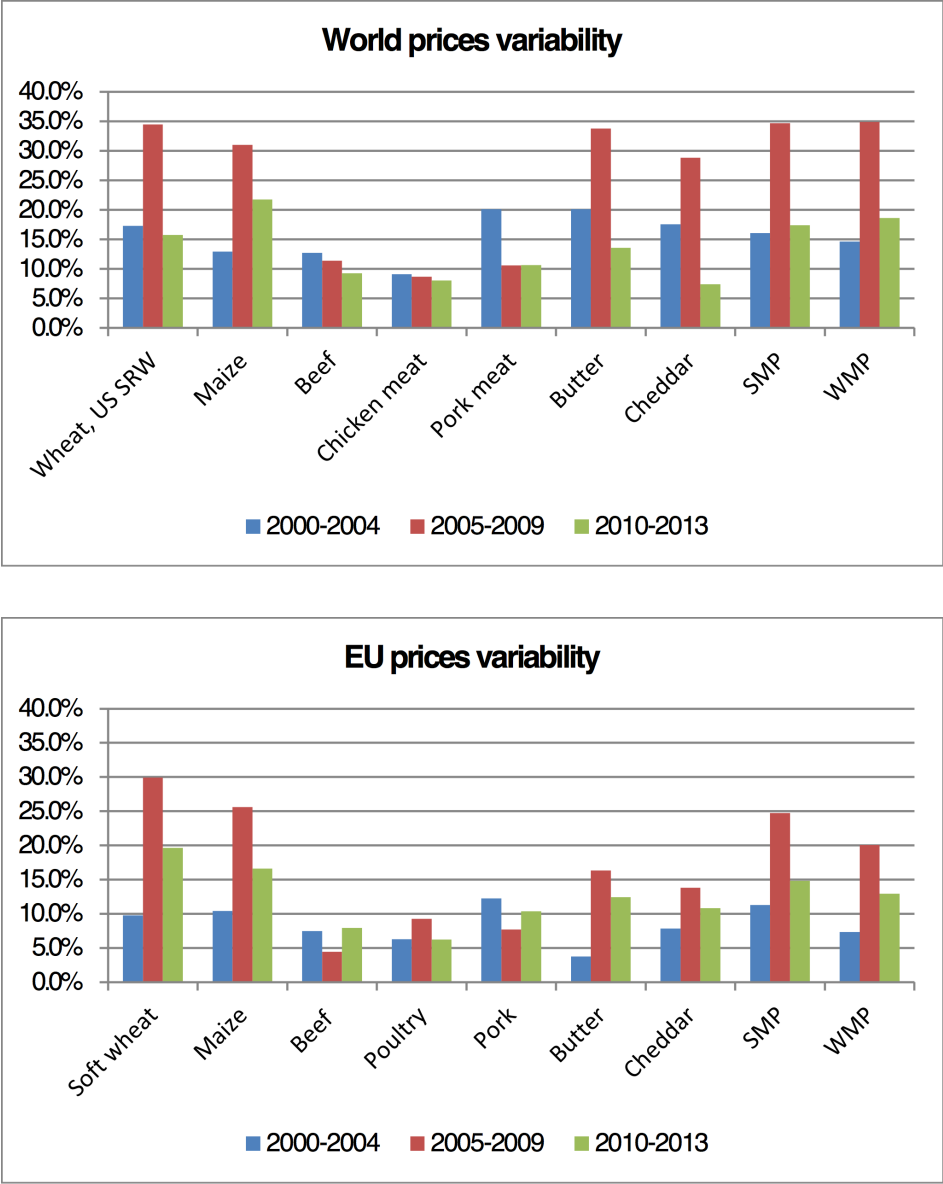
**Table 1. People at risk of poverty or social exclusion**

(percentage in total population)

	2007	2008	2009	2010	2011	2012
European Union 28 countries	:	:	:	23.7	24.3	24.8
European Union 27 countries	24.4	23.7	23.2	23.7	24.3	24.8
Belgium	21.6	20.8	20.2	20.8	21	21.6
Bulgaria	60.7	44.8	46.2	49.2	49.1	49.3
Czech Republic	15.8	15.3	14	14.4	15.3	15.4
Denmark	16.8	16.3	17.6	18.3	18.9	19
Germany	20.6	20.1	20	19.7	19.9	19.6
Estonia	22	21.8	23.4	21.7	23.1	23.4
Ireland	23.1	23.7	25.7	27.3	29.4	30
Greece	28.3	28.1	27.6	27.7	31	34.6
Spain	23.3	24.5	24.5	26.7	27.7	28.2
France	19	18.5	18.5	19.2	19.3	19.1
Croatia	:	:	:	30.7	32.3	32.3
Italy	26	25.3	24.7	24.5	28.2	29.9
Cyprus	25.2	23.3	23.5	24.6	24.6	27.1
Latvia	35.1	34.2	37.9	38.2	40.1	36.2
Lithuania	28.7	27.6	29.6	34	33.1	32.5
Luxembourg	15.9	15.5	17.8	17.1	16.8	18.4
Hungary	29.4	28.2	29.6	29.9	31	32.4
Malta	19.7	20.1	20.3	21.2	22.1	23.1
Netherlands	15.7	14.9	15.1	15.1	15.7	15
Austria	16.7	18.6	17	16.6	16.9	18.5
Poland	34.4	30.5	27.8	27.8	27.2	26.7
Portugal	25	26	24.9	25.3	24.4	25.3
Romania	45.9	44.2	43.1	41.4	40.3	41.7
Slovenia	17.1	18.5	17.1	18.3	19.3	19.6
Slovakia	21.3	20.6	19.6	20.6	20.6	20.5
Finland	17.4	17.4	16.9	16.9	17.9	17.2
Sweden	13.9	14.9	15.9	15	16.1	15.6
United Kingdom	22.6	23.2	22	23.2	22.7	24.1

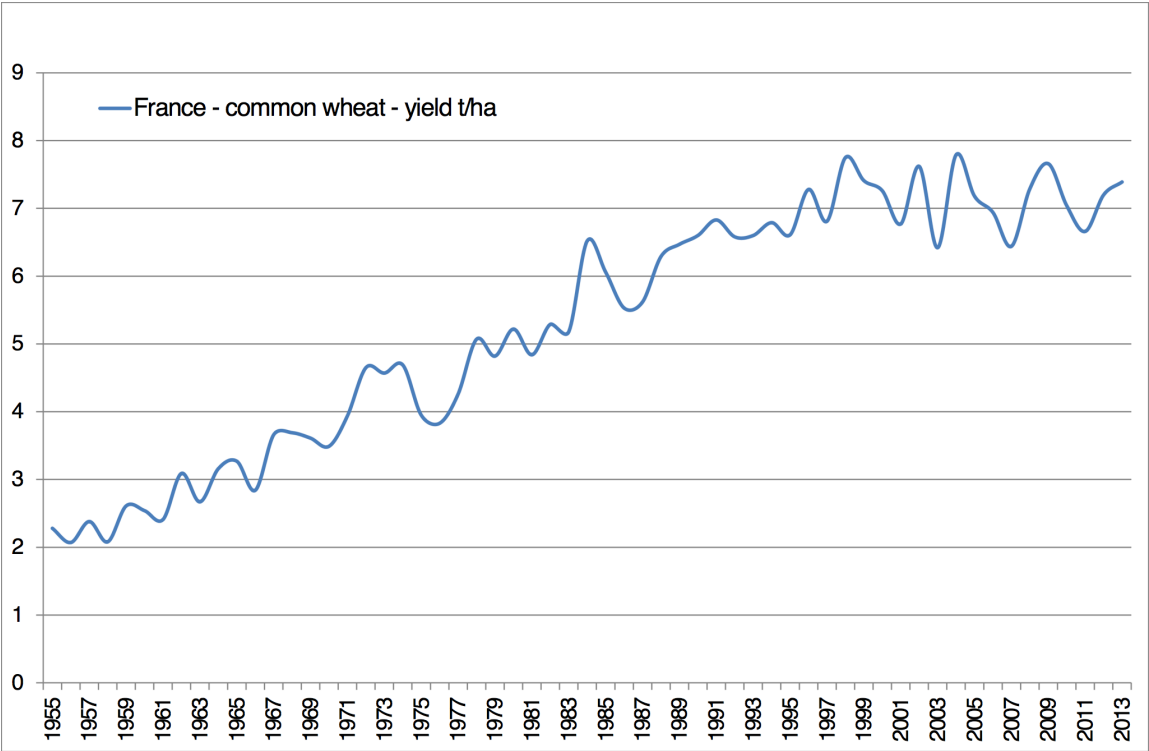
Source: Eurostat - Income and living conditions statistics (ilc\_pe)

**Graph 5 and 6. Price variability – World and EU**



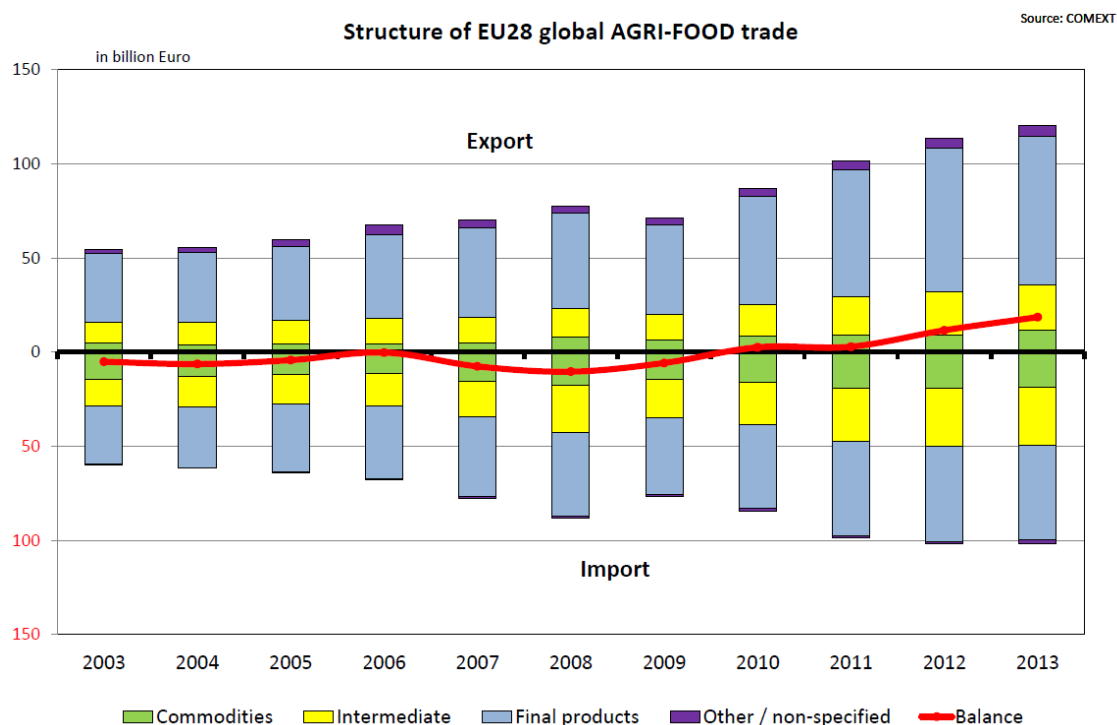
Source: World Bank, European Commission

**Graph 7. Yield developments for French Common Wheat**



Source: Eurostat

**Graph 8. EU trade performance**



**Table 2. Self-sufficiency in the EU**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013e
Common wheat	119.0	106.8	102.2	103.1	119.0	108.5	111.2	107.8	113.7	126.1
Barley	124.0	90.1	106.6	115.4	121.0	114.2	97.3	106.1	109.0	121.9
Maize	108.5	101.9	89.9	75.9	103.0	94.5	89.1	101.1	82.0	88.6
Rice	68.6	67.2	66.3	65.6	64.9	76.5	69.9	73.7	72.3	64.3
Sugar	113.9	109.2	91.5	91.9	83.9	95.9	83.3	98.9	89.7	88.6
Cheese	105.8	105.3	105.6	105.7	105.3	105.6	106.7	106.8	107.7	107.9
Butter	110.6	109.6	105.1	106.3	107.4	104.0	101.9	105.9	105.6	104.5
Skimmed Milk Powder	101.1	116.1	110.3	130.5	144.6	152.8	140.6	159.1	161.8	158.2
Whole Milk Powder	275.2	273.4	241.5	204.4	261.6	299.0	270.2	226.6	237.7	213.5
Beef and veal	98.8	96.4	96.0	96.2	98.3	97.2	100.4	102.3	101.2	99.6
Pig meat	106.3	105.6	106.1	107.1	107.9	107.6	108.9	110.5	110.6	111.0
Poultry meat	103.2	101.3	101.3	99.8	100.3	100.7	103.1	103.9	104.0	104.2
Sheep and goat meat	82.6	81.8	80.9	80.7	79.6	79.3	81.5	84.1	87.2	88.1

Source: Eurostat

- <sup>i</sup> COM(2010)127 final, An EU policy framework to assist developing countries in addressing food security challenges.
- <sup>ii</sup> See SWD(2013)104 final, Boosting food and nutrition security through EU action: implementing our commitments.
- <sup>iii</sup> See Declaration of the Fourth EU-Africa Summit, available at [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/142096.pdf?utm\\_content=buffer45133&utm\\_medium=social&utm\\_source=twitter.com&utm\\_campaign=buffer](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/142096.pdf?utm_content=buffer45133&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer)
- <sup>iv</sup> The Fund for European Aid to the Most Deprived supports EU countries' actions to provide material assistance to the most deprived, including food, clothing and other essential items for personal use, e.g. shoes.